

**SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
BOARD MEETING AGENDA
September 3, 2019**

PREPARED BY: Julie Lang, Director, Fiscal Services

WILL BE PRESENTED BY: Ryan Pinkerton and Julie Lang

Education Code Section 42100 requires school districts to approve the actual expenditures at the close of each fiscal year. To comply with E.C. 42100, the Board of Education must now separately approve the actual expenditures of the fiscal year after the books have been closed. These unaudited financial statements will be the basis for the 2018-19 audit reports performed by the District's audit firm.

Final budget transfers for 2018-19 were made in a proper and timely manner to account for the district's business transactions.

Changes to the 2019-20 adopted budget are not being reported at this time except the differences in beginning and ending fund balances. Changes due to negotiated raises, STRS and PERS rates, carryover and other necessary changes to the adopted budget will be made and reported at 1st Interim.

Fund 01 General

The chart below illustrates the differences between the Estimated Actuals budget and the actual revenue and expenses at the end of the year.

Actual revenues in the General Fund totaled \$101,822,118, an increase of \$4,118,300 from the Estimated Actuals budget.

| <i>Revenue Changes</i> | <i>Estimated Actuals</i> | <i>Unaudited Actuals</i> | <i>Change to End Balance</i> |
|------------------------|--------------------------|--------------------------|------------------------------|
| Property Taxes/LCFF | \$81,694,835 | \$81,837,627 | \$142,792 |
| Federal Revenue | \$3,266,119 | \$3,093,339 | -\$172,780 |
| State Revenue | \$8,395,801 | \$12,025,125 | \$3,629,324 |
| Local Revenue | \$4,347,063 | \$4,866,027 | \$518,964 |
| Total Revenue | \$97,703,818 | \$101,822,118 | \$4,118,300 |

- Property tax and LCFF revenues increased by \$142,792 over our Estimated Actuals projections. This includes an increase of \$77,454 in regular property taxes, and also increases to Charter School Transfer, Education Protection Act, and Special Ed property tax.
- Federal revenues decreased because some resources are considered "Unearned Revenue" also known as "Deferred Revenue". For these types of grants, the revenue that is received in one year and is not spent is deferred to the next year, or if revenue is not yet received it is considered carryover. This gives the appearance of a decrease in revenue, but it is actually accounted for in the subsequent year as revenue.
- State revenue had the largest increase mainly due to last minute adjustments to the STRS (and now PERS) On-Behalf contribution that was required to be booked in 2018-19. This was part of SB 90 (not to be confused with SB 1090), which appropriated \$2.246 billion for CalSTRS and \$904 million for CalPERS with the intention of reducing the 2019-20 STRS and PERS employer contribution rates.
- Local revenues were adjusted for billings, donations, tuition, and interest, as well as deferred revenue and carryover adjustments to local grants.

| GENERAL FUND REVENUE DEFERRED FROM 2018-19 TO 2019-20 | |
|--|------------------|
| Title IV-Student Support | \$ 26,540 |
| 24-Hour Relay | \$ 10,472 |
| Total Deferred Revenue | \$ 37,012 |

Total actual expenditures were \$99,826,607, an increase of \$2,249,002 from Estimated Actuals.

| <i>Expenditure Changes</i> | <i>Estimated Actuals</i> | <i>Unaudited Actuals</i> | <i>Change to End Balance</i> |
|----------------------------|--------------------------|--------------------------|----------------------------------|
| Certificated Salary | \$38,518,197 | \$38,743,536 | -\$225,339 |
| Classified Salary | \$17,308,814 | \$17,414,320 | -\$105,506 |
| Benefits | \$23,506,625 | \$26,520,949 | -\$3,014,324 |
| Books and Supplies | \$5,735,545 | \$4,479,732 | \$1,255,813 |
| Operating Expense | \$10,388,642 | \$10,513,736 | -\$125,094 |
| Equipment | \$1,258,564 | \$1,259,346 | -\$782 |
| Other Outgo | \$861,218 | \$894,988 | -\$33,770 |
| Total Expense | \$97,577,605 | \$99,826,607 | -\$2,249,002 |

- Salary codes were under-budgeted by \$330,845 by the time the year closed due to unknown costs such as substitutes, hourly, and vacation pay-outs.
- Benefits increased because of the additional STRS/PERS On-Behalf contributions related to SB 90. The total amount of increase in the STRS contribution was \$2.5 million and the PERS portion was \$1.13 million. This increase brings the total STRS/PERS On-Behalf contribution to \$7.06 million which is reflected equally in revenue and expense and has no effect on the ending balance.
- Books and supplies are where most site, department, and grants are budgeted. If they are not fully spent and/or carryover, this code is where most of the excess budget will be.
- Operating expense includes utilities, contracts, field trips, dues, and conferences. Expenses came in \$125,000 higher than what was budgeted at estimated actuals largely due to field trip billings that are not budgeted until received.
- Equipment expense was slightly higher than budgeted.
- Other outgo is where San Luis Coastal pays tuition as part of the agreement with Coast and Cayucos school districts, and also for special education students served by the county office of education.

Of the \$2.25 million difference in the expenditures, \$1,295,159 is considered "Restricted Ending Balance" and will be budgeted in expenditure categories in 2019-20. The revenue is not budgeted again in the subsequent year because it was accounted for in the year it was received.

| RESTRICTED ENDING BALANCES THAT WILL BE BUDGETED FROM GENERAL FUND RESERVES IN 2019-20 | |
|---|------------------|
| Medi-Cal Billing Option | 372,131 |
| Lottery: Instructional Materials | 631,643 |
| Low-Performing Students Block Grant | 291,385 |
| Total Restricted Ending Balance | 1,295,159 |

Other unrestricted carryover amounts, including site and department carryover, will also be budgeted in 2019-20 in expense only and will reduce the ending balance. These carryover amounts total \$608,119.

| UNRESTRICTED CARRYOVER THAT WILL BE BUDGETED FROM GENERAL FUND RESERVES IN 2019-20 | |
|---|-------------------|
| Lottery | \$ 93,287 |
| Catastrophic Leave | \$ 98,717 |
| Education Protection Act | \$ 14,300 |
| Site and Department Carryover | \$ 401,815 |
| Total Unrestricted Carryover | \$ 608,119 |

In addition to revenues and expense, money can be transferred between funds as Transfers In or Transfers Out. In 2018-19, \$283,013 was transferred from the general fund to the Food Services Fund to cover a negative balance in Fund 13. A transfer of \$1.3 million was made to Fund 40 for Capital Outlay projects not covered through Measure D.

| <i>Transfers In/Transfers Out</i> | <i>Estimated Actuals</i> | <i>Unaudited Actuals</i> | <i>Change to End Balance</i> |
|--|--------------------------|--------------------------|----------------------------------|
| Transfers In | \$0 | \$0 | \$0 |
| Transfer Out to Fund 13 (Food Services) | \$286,477 | \$283,013 | \$3,464 |
| Transfer Out to Fund 40 (Spec Reserve for Capital Projects) | \$1,300,000 | \$1,300,000 | \$0 |
| Total Transfers | \$1,586,477 | \$1,583,013 | \$3,464 |

The General Fund's actual revenue over expense at year end was a surplus (revenue exceeded expense) of \$412,498 leaving an ending fund balance of \$16,511,685.

Other items of interest:

- The District continued to assign 10% of expenditures for the Reserve for Economic Uncertainty in 2018-19.
- The additional STRS/PERS On-behalf adjustment was not included in the 10% reserve for economic uncertainty, because it was not the intent of the legislature in drafting SB 90 to burden school districts with this additional contribution.
- Salary and benefits in 2018-19 made up 83% of total expenditures.
- Other assigned balances not mentioned above include the Adult Ed Reserves at \$553,401, Instructional Materials Block Grant at \$1,500,326, and Unrestricted Lottery at \$1,269,500.
- The unappropriated balance as of June 30, 2018 was \$1,569,126.

The **General Fund Summary** is attached and compares the Estimated Actuals with Unaudited Actuals.

| GENERAL FUND SUMMARY | | |
|--|------------------------------|------------------------------|
| | 2018-19 ESTIMATED ACTUALS | 2018-19 UNAUDITED ACTUALS |
| REVENUE | | |
| LCFF Sources | \$ 81,694,835 | \$ 81,837,627 |
| Federal | \$ 3,266,119 | \$ 3,093,339 |
| State | \$ 8,395,801 | \$ 12,025,125 |
| Other Local | \$ 4,347,063 | \$ 4,866,027 |
| TOTAL REVENUE | \$ 97,703,818 | \$ 101,822,118 |
| EXPENDITURES | | |
| 1xxx Certificated Salaries | \$ 38,518,197 | \$ 38,743,536 |
| 2xxx Classified Salaries | \$ 17,308,814 | \$ 17,414,320 |
| 3xxx Employee Benefits | \$ 23,506,625 | \$ 26,520,949 |
| 4xxx Materials/Supplies | \$ 5,735,545 | \$ 4,479,732 |
| 5xxx Operations & Other | \$ 10,388,642 | \$ 10,513,736 |
| 6xxx Capital Outlay | \$ 1,258,564 | \$ 1,259,346 |
| 7xxx Other Outgo | \$ 861,218 | \$ 894,988 |
| TOTAL EXPENSES | \$ 97,577,605 | \$ 99,826,607 |
| Revenue over Expense | \$ 126,213 | \$ 1,995,511 |
| Transfers In | \$ - | \$ - |
| Transfers out | \$ 1,586,477 | \$ 1,583,013 |
| NET INC/DECR FN BAL | \$ (1,460,264) | \$ 412,498 |
| Beginning Balance | \$ 16,099,187 | \$ 16,099,187 |
| Ending Balance | \$ 14,638,923 | \$ 16,511,685 |
| COMPONENTS OF ENDING FUND BALANCE | | |
| Revolving cash | \$ 20,000 | \$ 20,000 |
| Prepays | \$ - | \$ - |
| Stores | \$ - | \$ - |
| 10% Economic Uncertainty | \$ 9,916,408 | \$ 9,789,341 |
| Sub-Total | \$ 9,936,408 | \$ 9,809,341 |
| COMMITTED BALANCES | | |
| Adult Ed | \$ - | \$ - |
| Sub-Total | \$ - | \$ - |
| RESTRICTED END BALANCES | | |
| Restricted Lottery | \$ 285,000 | \$ 631,643 |
| Medi-Cal Billing | \$ 196,000 | \$ 372,131 |
| Lowest Performing Student Block Grant | | \$ 291,385 |
| PEG (Public, Educational, Government) | \$ - | \$ - |
| Sub-Total | \$ 481,000 | \$ 1,295,159 |
| FLEXIBLE RESOURCE BALANCES | | |
| Adult Ed | \$ 553,401 | \$ 553,401 |
| Instructional Materials Realignment | \$ 1,500,325 | \$ 1,500,326 |
| Sub-Total | \$ 2,053,726 | \$ 2,053,727 |
| LOTTERY & OTHER | | |
| Lottery | \$ 1,102,778 | \$ 1,269,500 |
| Catastrophic Leave Balance | \$ 107,452 | \$ 98,717 |
| Education Protection Act | \$ - | \$ 14,300 |
| Site and Department Carryover | \$ - | \$ 401,815 |
| Sub-Total | \$ 1,210,230 | \$ 1,784,332 |
| Unappropriated | \$ 957,559 | \$ 1,569,126 |

Group 1 – Revenue. San Luis Coastal has four basic sources of revenue:

- Revenue Limit Sources/LCFF – local property taxes and related income
- Federal Sources – expected allocations from federally funded grants
- State Sources – revenue received from state-funded grants and entitlements
- Local Sources – revenue generated from tasks we do, (e.g., rentals, fund raisers, interest income, donations)

Group 2 – Expenditures. The district groups its expenditures into seven specific areas:

- 1000s – certificated salaries
- 2000s – classified salaries
- 3000s – employee benefits
- 4000s – books, materials and supplies
- 5000s – contracts and services
- 6000s – major assets
- 7000s – other expenditures not identified above

Group 3 – Net Increase/Decrease Fund Balance. The result of total revenues minus total expenditures is reflected in the line titled “Revenue Over Expense.” If the amount is a positive number, the district is deemed to be in a surplus budget position; if it is negative, the district is deemed to be deficit spending. Deficit spending should be avoided. However, if it can be shown that the district has sufficient reserves (savings account) and that the deficit is a result of one-time allocations or carryover reallocations, it would be acceptable to budget with a deficit. There are several sources of revenues related to transfer from other funds or agencies, these are Transfers In and Transfers Out. Also, there are several allocations we make to transfer money into other funds or agencies. The difference between our Revenue over Expenditures total and the net of all transfers in or out is the Net Increase in Fund Balance.

Group 4 – Fund Balance. For the purpose of defining whether we are fiscally healthy or not, the Fund Balance is the number by which we are judged. The Fund Balance is the same as a family’s savings account. It is the accumulated money left over after all bills are paid. The Beginning Balance is a definitive number that reflects the district’s fiscal history. The Ending Balance is estimated, based upon the Board adopted budget for that year.

Components of the Ending Fund Balance – As often happens in families, the savings account is designated for a particular current or future use or, in some cases, left undesignated. As a public entity, the district is regulated by Education Code, Government Code, and state law. Some of these laws direct how we handle our reserves. Four definitive groups define our Ending Fund Balance reserves; two groups are mandated by code and two are designated by district policy.

Group 5 – Non-Spendable/Reserve for Economic Uncertainty. Education Code requires the district to put aside a minimum of 3% of our expenditures as designated for a reserve to be used in times of economic uncertainty. The Board has determined that the risk involved in being a community funded district requires a higher reserve. The Board approved reserve is currently 10% of expenditures. Other items within this group are considered non-spendable.

Group 7 – Restricted Programs Carryover. Some state and federal program resources are awarded to be spent when necessary. As a result, the unspent balance must be carried over from year to year. It is within this group that we track and report these amounts.

Group 8 – Flexible Resource Balances. The District continues to keep certain flexible resources in separate codes to track ending balances that will be used for the purpose for which they were originally intended.

Group 9 – Lottery and Other. There are several sources of funding that do not have any guarantee of repetition making them uncertain funding sources for future events. We place these amounts in this category for one year to make sure they continue and then release them for use after that time. Some are treated as one-time revenue (e.g., mandated costs), and some as a continuing revenue stream (e.g., lottery).

Group 10 – Unappropriated. Not all of the reserve is established for a particular use. After we have classified and categorized our Ending Fund Balance to the extent described above, any residual is termed unappropriated. If all the funds in Group 5 through 9 were added together, they would equal the total amount in our Ending Fund Balance (savings account) described in Group 4.

SUMMARY OF ALL FUNDS

The chart below shows the beginning balances, revenues, expenditures, and ending balance of all the District's funds. Funds that can be used for general purposes are Fund 01 (General Fund), Fund 20 (Other Post-Employment Benefits), and Fund 40 (Special Reserve for Capital Outlay Projects). All other fund balances are for specific purposes related to that fund.

| SUMMARY OF ALL FUNDS | | | | | | | | | | |
|------------------------------|----------------------------|---------------------|----------------------|---|---------------------|----------------------------------|--|---|---|---|
| | FUND 01 GENERAL FUND | FUND 11 ADULT ED | FUND 13 CAFETERIA | FUND 20 OTHER POST EMPLOYMENT BENEFITS | FUND 21 BUILDING | FUND 25 CAPITAL FACILITIES | FUND 35 COUNTY SCHOOLS FACILITIES | FUND 40 RESERVE FOR CAPITAL OUTLAY | FUND 51 BOND INTEREST AND REDEMPTION | FUND 73 FOUNDATION PRIVATE- PURPOSE TRUST |
| BEGINNING BALANCE | \$ 16,099,187 | \$ 268,327 | \$ 23,504 | \$ 10,317,344 | \$ 55,063,137 | \$ 7,251,433 | \$ - | \$ 1,300,474 | \$ 11,916,890 | \$ 1,391,861 |
| REVENUE AND TRANSFERS IN | \$101,822,118 | \$ 1,103,373 | \$ 2,144,457 | \$ 176,783 | \$ 81,365,907 | \$ 2,644,662 | \$ 2,680,652 | \$ 1,361,857 | \$ 16,217,807 | \$ 32,865 |
| EXPENSE AND TRANSFERS OUT | \$101,409,620 | \$ 1,128,911 | \$ 2,132,844 | \$ - | \$ 28,698,794 | \$ 9,245,394 | \$ 2,680,652 | \$ 912,431 | \$ 9,166,111 | \$ 20,000 |
| ENDING BALANCE | \$ 16,511,685 | \$ 242,789 | \$ 35,117 | \$ 10,494,127 | \$107,730,250 | \$ 650,701 | \$ - | \$ 1,749,900 | \$ 18,968,586 | \$ 1,404,726 |

OTHER FUNDS HIGHLIGHTS

- Adult Education continues receiving federal and state grants in addition to collecting fees for classes.
- Food Services fund received a grant that they used to buy necessary equipment to modernize our Food Services department.
- Other Post Employment Fund had no activity other than earning interest which amounted to \$176,783.
- The Building Fund is for Measure D revenue and expense. The third and final bond sale occurred in 2018-19 adding \$77 million to the available funding. Other revenue was from the Prop 51 Charter School Facility Grant in the amount of \$2.68 million and interest at \$1.655 million.
- Capital Facilities Fund is where Developer Fees are collected. In 2018-19 San Luis Coastal collected \$2.5 million in new developer fees. Uses of funds include expansion projects at CL Smith, Bishops Peak, and San Luis High School due to the growth at these campuses.
- The County Schools Facilities Fund is where the revenue for the Prop 51 Charter School Grant was received. This revenue was transferred to Fund 21 to offset the actual expense for the Bellevue Santa Fe construction projects.
- The Reserve for Capital Outlay Fund is used for construction and modernization projects that are outside Measure D.
- The Bond Interest and Redemption Fund is where the levied taxes are accounted for, and bond interest and redemption costs are paid. The county auditor maintains control over this fund, and provides the information to the district to account for the tax levies and payments.
- The Vierthaler Foundation Trust was set up to account for scholarships given to Morro Bay High School students. In 2018-19 \$20,000 in scholarships were distributed to graduating seniors.

RECOMMENDATION:

The Board of Education approve the 2018-2019 unaudited financial information and contemporaneous budget transfers.

ADDITIONAL INFORMATION:

Attached: Yes No
 Available: Yes No