

**Santa Clara Unified School
District
2016-17
Unaudited Actuals**

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Stanley Rose III, Ed.D.

Board of Education
Jim Canova
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Santa Clara Unified School District

2016-17 Unaudited Actuals Report

9/12/2017

Santa Clara Unified School District
2016-17 Unaudited Actuals

 Presented to the Board of Trustees on September 12, 2017
Prepared by Mark Allgire, CPA, Chief Business Official

Attached for your review is the 2016/2017 District "Unaudited Actuals". The Unaudited Actuals includes State prescribed forms for the submission of the 2016/17 actual financial results (in SACS format), supplementary schedules, and the Technical Review Checklist. Most of these forms are required to be approved by the Board of Trustees and submitted first to the Santa Clara County Office of Education and then to the California Department of Education. In addition, we have included, for comparative purposes, the 2017/2018 Adopted Budget (with modifications), which was approved by the Board of Trustees in June 2017. This material is included on the September 12, 2017 Board of Trustees agenda for review and approval.

Under current law, a school district must adopt its budget prior to July 1st, and must submit a report of actual financial results, to the County Office of Education, for the prior fiscal year by September 15th. The attached document completes this process and includes the 2017/2018 Adopted Budget compared to the 2016/17 "Unaudited Actuals".

SUMMARY OF THE 2016/2017 GENERAL FUND ENDING FUND BALANCE

Components of the June 30, 201x Actual/Estimated Ending General Fund Balance:

	<i>2016/2017</i> <i>Unaudited Actuals</i>	<i>2017/2018</i> <i>Adopted</i>
Revolving Cash	\$40,000	\$40,000
Stores	108,036	113,207
Prepaid Expenditures	435,485	360,447
Restricted Balances	5,403,348	5,472,931
Reserve for Economic Uncertainties (3%)	6,698,756	7,704,311
Other Assignments	66,458,978	44,566,662
Unassigned/Unappropriated	28,559,897	22,113,656
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Total Actual/Est. Ending General Fund Bal. 6/30/1x	\$107,704,500	\$80,371,214

The category of Other Assignments at 6/30/17 is detailed as follows:

Basic Aid Reserve (7%)	\$15,630,430
RDA and State One-time Carryover	14,315,456
School Site Carryover	1,355,150
Other carryover	525,710
Unspent 2016-17 One-time RDA and State Funds	<u>34,632,232</u>
Total	\$66,458,978

ANALYSIS OF THE EFFECT OF POSITIVE/DEFICIT SPENDING ON UNRESTRICTED FUND BALANCE

Total Adj. Beginning Unrestricted General Fund Balance 7/1/2016	\$ 76,602,836
2016/2017 Unrestricted General Fund positive spending including one-time RDA funds received	\$ 25,628,733
Total Ending Unrestricted General Fund Balance 6/30/2017	\$102,231,569
Current Estimate of 2017/2018 Unrestricted General Fund deficit spending	(\$27,333,286)
Total Estimated Ending Unrestricted General Fund Balance 6/30/2018	\$ 74,898,283

LISTING OF CATEGORICAL PROGRAMS WITH RESTRICTED BALANCES

The District has received funding in programs not subject to deferred revenue. This results in a "Restricted Balance" and has the effect of reducing expenditures in the current year and increasing expenditures in subsequent year(s).

<u>Resource</u>	<u>Description</u>	<u>2016/17 Unaudited Actuals</u>
3060	NCLB: Title I, Part C, Migrant Ed	\$14,058
3327	Special Ed: IDEA Mental Health Allocation Part B	5,354
5640	Medi-Cal Billing Option	317,589
5810	Other Restricted Federal	979
6230	California Clean Energy Jobs Act	173,996
6264	Educator Effectiveness	369,304
6300	Lottery – Instructional Materials	607,677
6512	Mental Health Services	1,151,026
7338	College Readiness Block Grant	264,534
8150	Ongoing & Major Maintenance (RMA)	2,092,495
9010	Other Restricted Local	<u>406,337</u>
Total		\$ 5,403,348

Significant carryover balances can produce wide swings in Fund Balance and positive/deficit spending from year to year. However, when reviewed over several years, the net effect on Fund Balance may not be material. Similar carryover balances could occur in future years.

NET INCREASE (DECREASE) IN THE GENERAL FUND BALANCE - FORM O1, LINE E

The District ended 2016/17 with a Net Change of \$25,354,629 of which (\$274,104) was "Restricted", and \$25,628,733 was "Unrestricted". The fiscal year 2017/2018 Adopted Budget currently indicates a Net Change of (\$27,333,286), of which \$0 is "Restricted", and (\$27,333,286) is "Unrestricted".

The District's increase, or decrease in the unrestricted ending fund balance can be attributed to numerous differences between budgeted and actual revenues and expenditures.

A level of "Budget Savings" is likely, but unpredictable, in any fiscal year.

2016/17 State Budget

During fiscal year 2013/14, and for the first time in over thirty years, the methodology and formula for funding schools had a complete makeover. There will be no more revenue limits or COLAs or deficits. The Local Control Funding Formula (LCFF) is intended to correct historical inequities and increase flexibility, but it also brings new challenges, as districts across the State quickly adapted to a new funding model. In addition, many of the details of the new accountability structure were subsequently determined. Key components, including regulations on the use of Supplemental and Concentration Grants and the format for Local Control Accountability Plans (LCAP), were determined by the State Board of Education.

Under the LCFF, districts start with base funding per-student then add supplemental grants based on the percent of students who are English Learners, qualify for Free & Reduced meals or are foster youth. There are additional "concentration" grants for those districts with > 55% of these qualifying students. The LCAP must be adopted/revised along with the budget each year. The LCAP will communicate how the district intends to allocate resources to serve those students generating the supplemental and concentration grant funds.

However, in Santa Clara's case, our local property taxes, or community funding, exceed the new, increased LCFF funding level. Just as was the case with revenue limits, the District remains a locally funded district, or Basic Aid. In fact, it is projected that property taxes will continue to exceed the State's calculated LCFF funding level for the foreseeable future. There is a time, given certain circumstances, when the LCFF formula could generate more revenue for the District than the Basic Aid property tax method. The District will monitor these calculations regularly to be sure to optimize funding for the District.

For now, SCUSD receives more property tax revenue as a Basic Aid district than the LCFF calculation. Fair Share contributions and categorical funding are frozen at the 2012-13 levels, so

the primary revenue changes in the budget are growth in property taxes. Staff has analyzed the information coming from the CDE, the Department of Finance, the County Office of Education and School Services of California. Guidance regarding how the new funding stream is to be tracked, spent and reported is monitored, including what is required of Basic Aid districts that do not receive this new funding.

Local Control Accountability Plans (LCAP): Effective 2014/15, the LCFF relies on the use of the LCAP to assist with the development of the district’s General Fund budget. The initial LCAP was adopted by the Board in June 2014. School districts are required to adopt/revise a LCAP using a template adopted by the State Board of Education (SBE), along with annual updates beginning in 2014/15. Further, it is required that the LCAP be effective for three years, include annual goals for pupils (including each subgroup of pupils) to be achieved for state and local priorities, and identify the specific actions the school district will take during each year of the plan to achieve specified goals.

General Fund Revenue Components

The District receives funding for its general operations from various sources. A breakdown of the major funding sources in the 2016-17 Unaudited Actuals for the General Fund is as follows:

LCFF Sources (includes local Property Taxes)	\$199,599,331
Federal Revenue	5,803,117
State Revenue	15,032,102
Other Local Revenue	28,141,132
Transfers In	<u>70,804</u>
Total	\$248,646,486

Education Protection Account

As approved by the voters on November 6, 2012, the Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State’s sales tax rate and the personal income tax rates for taxpayers in high tax brackets. An extension of the personal income tax for 12 years was approved in 2016.

Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). SCUSD will receive funds from the EPA based on a base \$200 per ADA for Basic Aid districts. No corresponding reduction is made to its general purpose funds as is the case with LCFF districts.

The creation of the Education Protection Account (EPA) by Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. K-14 local agencies

have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting.
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

The District has budgeted to spend these funds on classroom teacher salaries and benefits.

Summary of Key Property Tax Budget Categories

Property Tax Type	2016/17 Unaudited Actuals	2017/18 Adopted Budget	2017/18 Basic Aid Meeting -- 8/29/17	2016/17 vs. 2017/18 Change
8021 Homeowners Exempt.	\$884,079	\$884,000	\$883,000	(\$ 1,000)
8041 Secured Roll Taxes	\$125,203,124	\$140,230,546	\$137,326,000	(\$2,904,546)
8042 Unsecured Roll Taxes	\$12,356,221	\$12,356,000	\$12,822,000	\$466,000
8047/8625 Comm. RDA*	\$32,483,368	\$34,929,360	\$36,084,000	\$1,154,640
	\$170,926,792	\$188,399,906	\$187,115,000	(\$1,284,906)

*Note: Object 8047/8625 above does NOT include any one-time funds. The District received \$28,764,051 in one-time RDA funds in 2016/17.

	2017/18 Adopted Budget	2018/19 Est. per MYP	2019/20 Est. per MYP
8041 Secured Roll Taxes	\$140,230,546	\$153,428,256	\$162,613,954
		+9.4%	+6%

Based on the 2017/18 Adopted Budget, secured property taxes are projected to grow 5% annually for the MYP period plus an additional adjustment for "Large Developments". "Large Developments" represent a limited number of large scale projects that staff believes will increase Secured property tax collections above the base rate increase, based on potential increases in assessed value.

Parcel Tax

Fiscal year 2016/17 was the fourth fiscal year the district collected a parcel tax of \$84 per parcel. The parcel tax generated revenue of \$2,680,535. This revenue will expire after fiscal year 2016/17.

General Fund Expenditure Components

The General Fund is used for the majority of the functions within the District. As illustrated below, the largest part of expenditures are salaries and benefits.

A breakdown of the major expenditure categories in the General Fund is as follows:

Certificated Salaries	\$107,262,820
Classified Salaries	34,721,339
Employee Benefits	44,013,006
Books and Supplies	10,032,246
Services and Other Operating	21,934,405
Capital Outlay	3,605,973
All Other	<u>1,722,067</u>
Total	\$223,291,857

Cash Flow

Due to a healthy fund balance and cash reserves, the District enjoys positive ending cash balances each month of the year. The District receives a large portion of revenues each year (property taxes being paid in late December and April) while expenditures continue to be paid monthly. Currently this does not present a cash flow issue.

Contributions to Restricted Programs

The 2016/2017 Unaudited Actuals include the following transfers of unrestricted resources to cover restricted program expenditures in excess of revenue, or due to legal/matching requirements. A summary of Contributions to Restricted Programs follows:

Special Education	\$28,708,928
Routine Restricted Maintenance	4,523,836
Migrant Ed	30,774
Other Local	<u>(39,567)</u>
Total	\$33,223,971

Fund Summaries (Other than the General Fund)

All funds have a positive ending fund balance at June 30, 2017

<u>Fund</u>		<u>2016/17 Positive/(Deficit)</u>	<u>June 30, 2017 Fund Balance</u>
Adult Education	11	\$ -	\$ 970,769
Child Development	12	(344,546)	1,653,265
Cafeteria	13	(108,486)	776,446
Deferred Maintenance	14	(306,125)	7,286,101
Special Reserve Fund for Postemp. Benefits	20	764,128	2,920,995
Building	21	(42,150,165)	87,480,916
Capital Facilities	25	11,415,159	50,479,460
Special Revenue Fund for Capital Outlay	40	130,286	5,509,933
Bond Interest & Redemption Fund	51	(2,939,598)	43,979,010
Self-Insurance Fund	67	(550,647)	5,888,921
Retiree Benefit Fund	71	\$ (639,653)	\$ -

EXPLANATION OF COLUMNS ON THE GENERAL FUND BUDGET DOCUMENT

2016/17 Unaudited Actuals - This represents the 2016/17 financial statement or, "unaudited actuals". The restricted and unrestricted programs are shown separately.

2017/18 Budget - This represents the 2017/2018 Adopted Budget as approved by the Board of Trustees June 2017. The 2017/2018 beginning balances were changed to agree to the 2016/17 ending balances in the fund balance section. The restricted and unrestricted programs are shown separately here also.

Restricted/Unrestricted - Certain programs are, by law, restricted in usage. These programs are shown in the restricted column. Conversely, all programs that are not restricted are included in the unrestricted columns.

TARGETED FUNDS

Following is a recap of the estimated amount to be budgeted for fiscal year 2013-14 to 2018-19 for Targeted funds.

Fiscal Year	Calculated Amount	Additional Amount	Total
2013/14	\$ 2,233,403	N/A	\$ 2,233,403
2014/15	\$ 2,233,403	\$ 3,113,948	\$ 5,347,351
2015/16	\$ 5,347,351	\$ 3,636,533	\$ 8,983,884
2016/17	\$ 8,983,884	\$ 1,448,597	\$ 10,432,481
2017/18	\$ 10,432,481	\$ 525,731	\$ 10,958,212
2018/19	\$ 10,958,212	\$ 734,145	\$ 11,692,357

TECHNICAL REVIEW CHECKLIST

In accordance with the programming of the State software used for the submission of the "Unaudited Actuals", a Technical Review checklist is produced and included with the "Unaudited Actuals" packet. This checklist documents internal software checks required by the State.

INDEPENDENT AUDIT

State law requires an independent annual audit. The independent auditor under contract for the 2016/17 fiscal year is Crowe Horwath LLP CPAs. The auditor's opinion of the district's financial statements for the 2016/17 fiscal year will be available approximately December, 2017.

SPECIAL FUNDS

ADULT EDUCATION FUND # 110

This fund accounts for the activity of Adult Education programs in the District. Adult education is a public education program for all adults 18 and older. The principal revenues in this fund are federal, state, transfers from the General Fund, interest and adult education fees. Expenditures are typically for direct instructional costs, including salaries and employee benefits, direct support costs, and indirect costs.

CHILD DEVELOPMENT FUND #120

This fund accounts for educational and other services related to infants, toddlers, preschoolers, before and after school services, enrichment programs and grant related activities. The primary revenue sources are State apportionments based on participation, Federal and State grants and parent fees. Expenditures for related services are primarily salaries and benefits.

CAFETERIA SPECIAL REVENUE FUND #130

The District's Nutrition Services program is a part of the National School Lunch Program. The District's program provides breakfasts, lunches and snacks at all District sites. A significant percentage of District students qualify for free and reduced price meals. This fund generates its revenues from federal and state reimbursements, and cash sales of meals and ala-carte items. Expenditures may be used only for expenditures for the operation of the school district's food service program, including salaries, employee benefits, purchased food, equipment and related costs.

DEFERRED MAINTENANCE FUND #140

The Deferred Maintenance Fund performs approved major deferred maintenance projects in the District. The State suspended this funding source effective fiscal year 2008/09. As part of the adoption of LCFF, Deferred Maintenance funding has been eliminated and rolled into the LCFF base grant. Expenditures are intended for major repair of plumbing, heating, air-conditioning, electrical, roofing, painting and related systems in school buildings. The District intends to complete major maintenance projects based on a multi-year plan, but only with available funding.

POST-EMPLOYMENT BENEFITS FUND #200

The Government Accounting Standards Board (GASB) issued GASB 45 which affects all school districts that offer post-employment health benefits. This fund accounts for and reports costs and obligations related to these post-employment health benefits other than pensions. This fund generates interest revenue. In this year, the Retiree Health Benefit Fund (Fund710) was closed and the fund balance was transferred to the Post-Employment Benefits fund.

BUILDING FUND #21x

MEASURE "B" -- FUND #210

MEASURE "J" -- FUND #211

MEASURE "H" 2010 -- FUND #212

MEASURE "H" 2014 -- FUND #213

The Building Funds are used to account for the receipt of proceeds from General Obligation Bonds issued in conjunction with Measures B, J, H 2010 and H 2014. These funds generate additional revenue from interest. The major expenditures in these Building Funds are related to the purchase and improvement of sites, the construction and modification of buildings and for related project expenditures.

CAPITAL FACILITIES FUND #250

State law has authorized the collection of fees since 1986 to assist school districts with the mitigation of facility costs related to enrollment growth. This fund records the revenue resulting from the collection of fees levied on residential and commercial development and interest. An allowable, maximum 3% for indirect costs will be transferred to the General Fund to offset the costs of administrative tasks. This revenue source allows the District to pay for growth related expenditures which can include; portable classrooms at our sites, provide necessary furniture and equipment, purchase and develop school sites, school and classroom construction, and related expenditures.

SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS FUND #400

This fund includes the proceeds from the prior sale of surplus property. Significant prior year transfers to the General Fund were used to offset budget shortfalls. This fund generates interest revenue. There remain carryover amounts related to prior site related allocations.

SPECIAL RESERVE FOR CAPITAL PROJECTS FUND #401 – CERTIFICATE OF PARTICIPATION (COPS I & II)

COPS were issued and the proceeds were used to construct Casa Del Maestro in two phases, for a total of 70 units. This fund generates revenue from the net annual, after expenses, rental income. Expenditures are for the annual COPS debt services payment and administrative costs.

SELF-INSURANCE FUND

**DENTAL & VISION FUND #670,
WORKERS COMPENSATION FUND #671**

Self-insurance funds are used to account for programs where the District uses elements of self-insurance, as opposed to fully insured programs. The principal revenues in these funds are interest, and In-District Premiums/Contributions Interagency revenues. Expenditures in these funds are primarily for the payment of claims, administrative costs, and Incurred But Not Reported (IBNR) accruals. The District has joined the Santa Clara County Schools Insurance Group for Worker's Compensation effective 7/1/16. The District will remain self-insured for the "run-out" claims.

RETIREE HEALTH BENEFIT FUND #710

This fund exists to account for contributions for management employees' retirement benefit payments. This fund has been closed and the fund balance was transferred to the Post-Employment Benefits Fund (Fund 200).

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GANN

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UNAUDITED ACTUAL FINANCIAL REPORT:

To the County Superintendent of Schools:

2016-17 UNAUDITED ACTUAL FINANCIAL REPORT. This report was prepared in accordance with Education Code Section 41010 and is hereby approved and filed by the governing board of the school district pursuant to Education Code Section 42100.

Signed: _____

Date of Meeting: Sep 12, 2017

Clerk/Secretary of the Governing Board
(Original signature required)

To the Superintendent of Public Instruction:

2016-17 UNAUDITED ACTUAL FINANCIAL REPORT. This report has been verified for accuracy by the County Superintendent of Schools pursuant to Education Code Section 42100.

Signed: _____

Date: _____

County Superintendent/Designee
(Original signature required)

For additional information on the unaudited actual reports, please contact:

For County Office of Education:

For School District:

Judy Lee Kershaw

Mark Allgire

Name

Name

Director DBAS

Chief Business Official

Title

Title

408-453-6599

408-423-2024

Telephone

Telephone

judy_kershaw@sccoe.org

mallgire@scusd.net

E-mail Address

E-mail Address

G = General Ledger Data; S = Supplemental Data

Form	Description	Data Supplied For:	
		2016-17 Unaudited Actuals	2017-18 Budget
01	General Fund/County School Service Fund	GS	GS
09	Charter Schools Special Revenue Fund		
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GANN	Appropriations Limit Calculations	GS	GS
ICR	Indirect Cost Rate Worksheet	GS	
L	Lottery Report	GS	
NCMOE	No Child Left Behind Maintenance of Effort	GS	
PCRAF	Program Cost Report Schedule of Allocation Factors	GS	

G = General Ledger Data; S = Supplemental Data

Form	Description	Data Supplied For:	
		2016-17 Unaudited Actuals	2017-18 Budget
PCR	Program Cost Report	GS	
SEA	Special Education Revenue Allocations		
SEAS	Special Education Revenue Allocations Setup (SELPA Selection)	S	S
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GENERAL FUND FORMS