

Millbrae Elementary School District
Unaudited Actuals for Fiscal Year 2016-2017



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Fiscal Year Budget Calendar

September 2017	Unaudited Actuals FY 2016/2017
October 2017	First Interim cut-off FY 2017/2018
December 2017	Board approval First Interim FY 2017/2018 Release of Auditor's Report for FY 2016/2017
January 2018	Second Interim cut-off for FY 2017/2018
February 2018	Board approval of Second Interim for FY 2017/2018
March 2018	Board/Staff review and adjust staffing levels for FY 2018/2019
April 2018	Board may conduct additional budget study sessions
May 2018	Governor's release of State budget May-Revise for FY 2018/2019 Board/Staff conducts additional budget study sessions
June 2018	Board adoption of FY 2018/2019 Budget & LCAP Governor signs State Budget
July 2018	Business office staff begins year-end closing FY 2017/2018
September 2018	Board approval of FY 2017/2018 unaudited actuals
December 2018	Release of Auditor's Report for FY 2017/2018
January 2019	Board approval of Auditor's Report for FY 2017/2018

Fiscal year 2016/2017 Overview

Contained herein are the 2016/2017 unaudited actuals reflecting Millbrae Elementary School District's (MESD) financial activity during the most recent completed fiscal year as well as the District's financial position (Fund Balance) as of June 30, 2017. In addition, the unaudited actuals report contains supplemental information concerning the District's activity in detail. California Education Code 42100 requires school districts close their books and adopt the report of financial activities and position to the County of Education by September 15th of each year for the preceding fiscal year. This report, along with a signed District certification, is submitted to the San Mateo County Office of Education (SMCOE) and the California Department of Education (CDE) for review.

This report illustrates that MESD's General Fund revenues of \$23,499,377 exceeded expenditures of \$23,136,634 in the amount of \$362,743 as outlined on the unaudited actuals. As a result, the components of the ending fund balance for the general fund ended with a balance of \$4,697,844.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the ending fund balances shall be classified as follows:

- **Non-spendable** (*such as revolving cash, stores, and prepaid items*)
- **Restricted** (*subject to external parties, constitutional provision, or enabling legislation*)
- **Committed** (*self-imposed by MESD's Board of Education*)
- **Assigned** (*intended for a particular purpose and imposed prior to financial statements*)
- **Unassigned** (*not classified above*)

General Fund

Fiscal Year 2016-17 General Fund Financial Comparison and Analysis

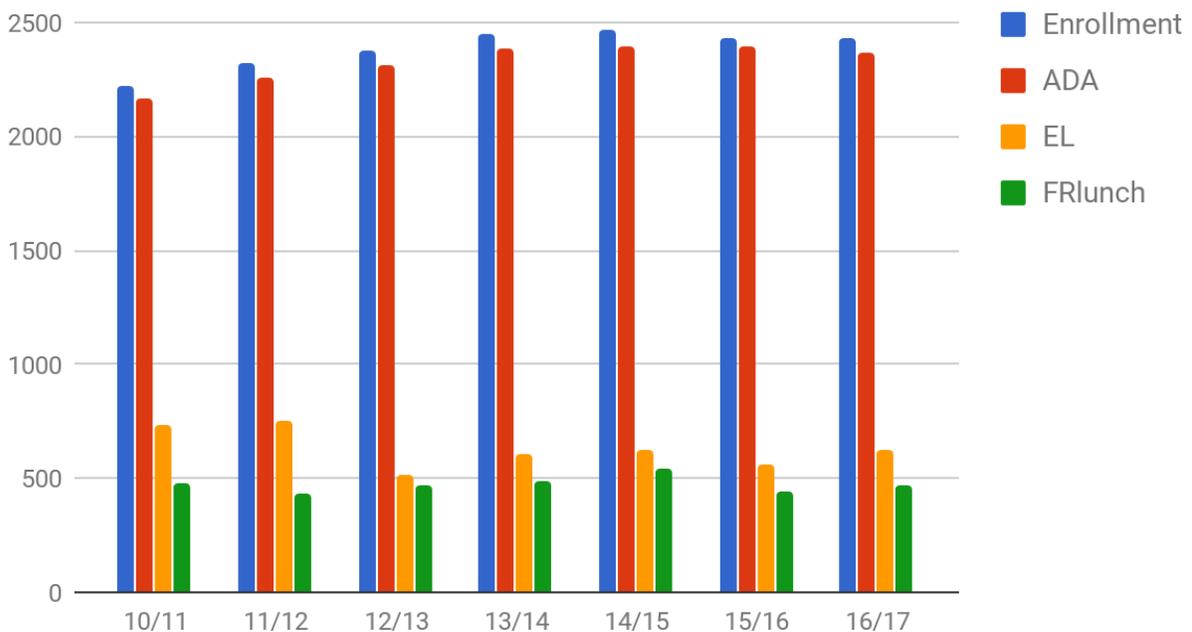
Enrollment and Attendance

The most significant characteristic for determining District income is the calculation of the average number of students who are in school and in attendance on a daily basis. This

average daily attendance, or ADA, is multiplied by the District's LCFF rate per ADA to determine the source of income for the District.

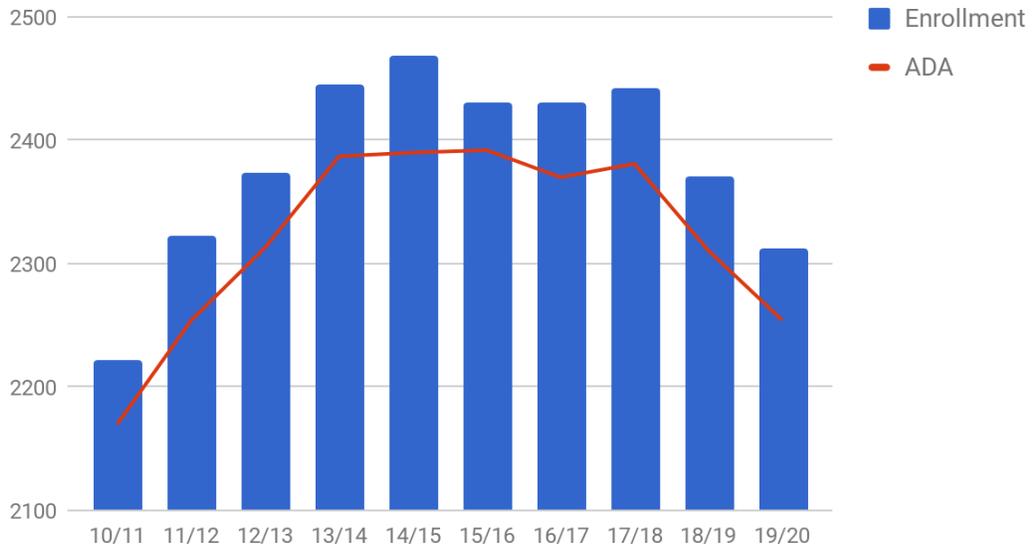
Enrollment shown below is reported each October. The Average Daily Attendance (ADA) is reported to the State three (3) times during the fiscal year: P1 (1st period) is the average attendance over the first four (4) months of school, P2 (2nd period) is the average over the first eight (8) months of school, and the Annual ADA is the average for the entire school year. The following graph shows the enrollment, ADA funding, English Learners, and Free & Reduced-Price Meals over the last seven (7) years for comparison.

Enrollment, ADA, EL and FRLunch



Since ADA is such an important part of the District's income base, the projection of ADA for the next fiscal year and subsequent years is an important part of projecting the District's income. Even small fluctuations in the District's ADA can mean a gain or loss of tens of thousands of dollars in income. The District is estimating an overall reduction of enrollment of 69.84 ADA over the next two fiscal years (FY 18/19 and FY 19/20) based upon the ADA ratio to straight line enrollment projections.

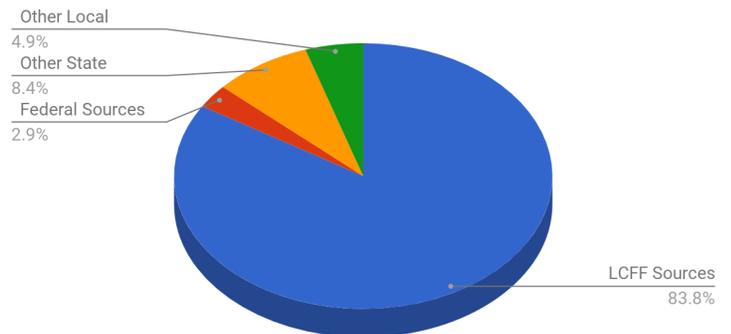
Enrollment and ADA



General Fund Revenues

The 2016/2017 unaudited actuals shows a net decrease in recognize revenue of \$298,540 as compared to the estimated actuals.

General Fund (Unrestricted/Restricted) Sources of Revenue

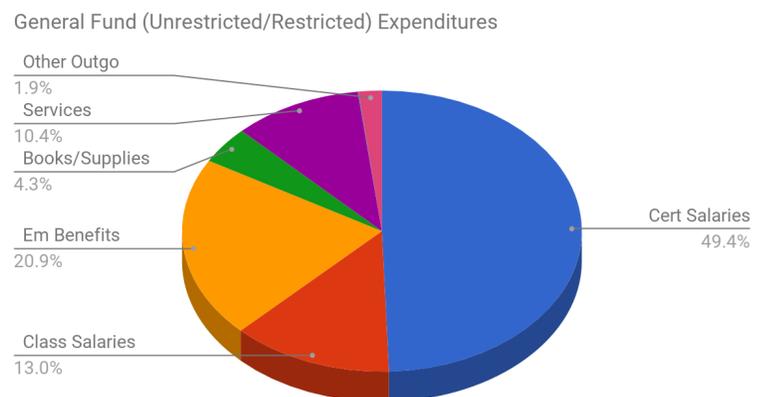


Description	Unaudited Actuals			Estimated Actuals			Variance		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unres.	Res.	Combined
LCFF Sources	\$18,428,666	\$1,266,835	\$19,695,501	\$18,412,983	\$1,198,057	\$19,611,040	\$15,683	\$68,778	\$84,461
Federal Sources	\$0	\$677,661	\$677,661	\$0	\$731,706	\$731,706	\$0	-\$54,045	-\$54,045
Other State	\$943,890	\$1,020,301	\$1,964,191	\$949,677	\$1,217,263	\$2,166,940	-\$5,787	-\$196,962	-\$202,749
Other Local	\$611,362	\$550,661	\$1,162,023	\$592,241	\$695,989	\$1,288,230	\$19,121	-\$145,328	-\$126,207
Total Revenues	\$19,983,918	\$3,515,458	\$23,499,376	\$19,954,901	\$3,843,015	\$23,797,916	\$29,017	-\$327,557	-\$298,540

1. **Local Control Funding Formula (LCFF) Sources:** Received in 2016/2017 totaled \$19,695,501. LCFF is the largest source of revenue for the District - 83.8%. The District's general purpose revenue is calculated through LCFF sources and encompasses Property Taxes, Education Protection Account (EPA), and State Aid.
 - a. Unrestricted \$18,428,665
 - b. Restricted \$1,266,835
2. **Federal Revenue Sources:** \$677,661 was received in 2016/2017, which was \$54,045 less than estimated. The primary reason of the decrease in federally restricted revenue is due to the nature of federal fund accounting. A district will only receives revenue once it has been expended.
 - a. Unrestricted \$677,661
3. **Other State Revenue:** The district received \$1,964,192 in 2016/2017, which was \$202,749 less than estimated. The majority of this amount was from Proposition 39 – California Clean Energy Jobs Act for fiscal year 2014/15, 2015/16, and 2016/17 which is budgeted to be expended in fiscal 2017/18. Revenue is recognized when costs are expended and expenditures are recorded when encumbered.
 - a. Unrestricted \$943,890
Restricted \$1,020,301
4. **Other Local Revenue:** \$1,162,023 was received in 2016/2017, which was \$126,207 lower than estimated. Similar to revenue recognition from federal funding sources, stated income (donations and grants) is recognized when it has been expended. Unused sources are not recognized and deferred (carried over) into 2017/2018.
 - a. Unrestricted \$611,362
 - b. Restricted \$550,661

General Fund Expenditures

Throughout 2016/17, the district's expenditures were monitored and revised at each interim reporting period. When the books are closed, any deferred or unspent monies (savings) that have been realized are recognized and reported to the Ending Fund Balance with notes for assignment or restricted. As an example, contracted services not fully expended per contract, contribute to savings in expenditures and recorded as one-time savings for current fiscal year.



Description	Unaudited Actuals			Estimated Actuals			Variance		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unres.	Res.	Combined
Expenditures									
Cert Salaries	\$9,736,755	\$1,720,157	\$11,456,912	\$9,898,893	\$1,738,266	\$11,637,159	-\$162,138	-\$18,109	-\$180,247
Class Salaries	\$1,873,901	\$1,148,225	\$3,022,126	\$1,881,304	\$1,159,023	\$3,040,327	-\$7,403	-\$10,798	-\$18,201
Em Benefits	\$3,373,385	\$1,461,979	\$4,835,364	\$3,420,639	\$1,680,302	\$5,100,941	-\$47,254	-\$218,323	-\$265,577
Books/Supplies	\$720,535	\$274,072	\$994,607	\$1,131,628	\$482,923	\$1,614,551	-\$411,093	-\$208,851	-\$619,944
Services	\$1,000,727	\$1,416,198	\$2,416,925	\$1,085,129	\$1,968,547	\$3,053,676	-\$84,402	-\$552,349	-\$636,751
Capital out	\$0	\$9,078	\$9,078	\$0	\$8,916	\$8,916	\$0	\$162	\$162
Other Outgo	\$49,580	\$388,301	\$437,881	\$49,580	\$333,469	\$383,049	\$0	\$54,832	\$54,832
Transfers	-\$46,815	\$10,557	-\$36,258	-\$50,157	\$13,668	-\$36,489	\$3,342	-\$3,111	\$231
Total Expenses	\$16,708,068	\$6,428,567	\$23,136,635	\$17,417,016	\$7,385,114	\$24,802,130	-\$708,948	-\$956,547	-\$1,083,969

1. **Certificated Salaries:** *(Object Codes 1000-1999)* \$11,456,912 was expended in 2016/17. This amount reflects reduction from estimated actuals of \$114,569. Total expenditures include all step, column, hourly, stipends, and substitute costs.
 - a. Unrestricted \$9,736,755
 - b. Restricted \$1,720,157
2. **Classified Salaries:** *(Object Codes 2000-2999)* \$3,022,126 was expended in 2016/17, reduction of \$18,202 from estimated actuals. This amount reflects the negotiated salary increases and additional days. Total expenditures include all step, column, hourly, stipends, and substitute costs. The unaudited actuals were lower than projected due to unfilled positions and carryover of one-time funds.
 - a. Unrestricted \$1,873,901
 - b. Restricted \$1,148,225
3. **Employee Benefits:** *(Object Codes 3000-3999)* \$4,835,364 was expended in 2016/17. The total expenditures include all required statutory benefits (PERS/STRS) as well as health, dental, vision, and life.
 - a. Unrestricted \$3,373,385
 - b. Restricted \$1,461,979

4. **Books and Supplies:** (*Object Codes 4000-4999*) \$994,607 was expended in 2016/17, which was lower than expected due to carryover of one-time funds for technology and curriculum adoption, \$363,136., and supplement funding carryover of \$34,656.
 - a. Unrestricted \$720,535
 - b. Restricted \$274,072
5. **Other Services and Operating Expenses:** (*Object Codes 5000-5999*) \$2,416,925 was expended in 2015/2016 which was lower than expected due to carryover on one-time funds: primarily Prop. 39 - Energy Efficiency grant - \$396,780.
6. **Capital Outlay** (*Object Codes 6000-6999*) \$9,078 was expended in 2016/17
 - a. Restricted \$9,078
7. **Other Outgo** (*Object Codes 7100-7299, 7400-7499*) \$437,881 was expended in 2016/17, which was lower than expected
 - a. Unrestricted \$49,580
 - b. Restricted \$388,300
8. **Direct Support/Indirect Costs:** (*Object Codes 7300-7399*) \$36,258 was the credit for indirect charges assessed to the cafeteria fund. Indirect costs cover services such as utilities, general maintenance, accounting, purchasing, payroll, personnel, and other support functions which are absorbed by the unrestricted general fund and then “paid-back” as a credit to the General Fund and shown as an expense to the restricted program(s).
 - a. Unrestricted <\$46815>
 - b. Restricted \$10,557

Other Financing Sources/Uses

Transfers In/Out from the General Fund netted in the amount of \$119,335. These are monies transferred into and out of the General Fund to other special district funds for designated purposes.

Other Financing Sources/Uses		
Description	Debit	Credit
Fund 01		\$50,000
Fund 13	\$50,000	
Fund 01	\$169,335	
Fund 17		\$105,402
Fund 40		\$63,933

Contributions to restricted programs from the Fund 01 were \$2,913,108 for 2016/17. This is the contribution to support programs such as special education, routine repair and maintenance, and other grant matching programs.

Description	
Special Education	\$2,285,739
Routine Maint. & Repair	\$627,369
Total Contributions	\$2,913,108

Analysis of Ending Fund Balance

Those examining school district budgets often assume that the ending balances is a reflection of unexpended funds that the District can use at its discretion. Some of the funds that comprise the ending balance must be used for specific purposes. The Ending Fund Balance for fiscal year 2016/17 was \$4,697,844 as projected and presented on our estimated actuals. This variance was the result of deferral of the One-Time Funds and both unrestricted and restricted program carryover not expended nor recognized in the current fiscal year but required in future years to be spent. Additionally, the undesignated (Unassigned) subcomponent of the ending fund balance realized a net increase of \$397,038 largely due to the unspent contribution to Special Education obligations and other restricted programs.

The 2016/2017 Ending Fund Balance is comprised of the following:

As of June 30, 2017	Estimated	Unaudited	Variance	Notes
Fund Balance - Reserves	Actuals	Actuals		
Ending Fund Balance	\$3,309,018	\$4,697,844	\$1,388,826	
Cash	\$2,500	\$2,500	\$0	
Restricted	\$139,012	\$559,070	\$420,058	1
One Time Fund Carryover	\$275,945	\$676,991	\$401,046	2
Deficit Spending MYP	\$1,985,527	\$1,985,527	\$0	3
Supplemental Requirements		\$34,656	\$34,656	4
Reserve-Pending Litigation		\$136,027	\$136,027	5
3% Required Reserve	\$745,564	\$696,000	-\$49,564	6
Unassigned	\$160,470	\$607,073	\$446,603	7

Notes to variances in Ending Fund Balance - as of June 30, 2017

1. Restricted Fund Balance
 - 1.1. California Clean Energy Jobs Act \$396,780
 - 1.2. Educator Effectiveness Grant \$139,012
 - 1.3. Lottery: Instructional Materials \$ 16,437
 - 1.4. Other Restricted Local \$ 6,841

2.	One - Time Funds Carryover	
2.1.	New textbook adoption/technology	\$676,991
3.	Deficit Spending - MYP	
3.1.	Estimated assignment to reflect structural deficit in MYP Fiscal years 2017/18-2019/20	\$1,985,527
4.	Supplement Requirements	
4.1.	Supplement grant funds carryover restricted in LCAP	\$34,656
5.	Reserve for potential litigation	
5.1.	Estimated District costs for ligation	\$136,027
6.	Required reserve for Economic Uncertainties	
6.1.	Based upon 3% of total Fund 01	\$696,000
7.	Unassigned	
7.1.	Currently unassigned - Needed for structural deficit and unfunded Board Policy to maintain 17% reserve	\$607,073

Special Revenue Funds

Fund 13 – Cafeteria Fund

This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093). The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- Child Nutrition Programs (State)
- Food Service Sales
- Interest All Other Local Revenue

The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* sections 38091 and 38100).

During 2016/17 this fund had revenues of \$747,583 and expenditures of \$786,353, resulting in a deficiency of \$38,770, an increase of \$40,025 from FY 2015/2016 due to department's new leadership. Due to the fact that this department operates independently and is in the processes of reviewing policy and procedures to become a self sufficient unit, a contribution of \$50,000 was made for 2016/17, transferred from the General Fund, to ensure expenditures will be disbursed timely and within terms to new vendors to move towards "scratched-based" food service.

June 30, 2017 – Statement of Financial Position

As of June 30, 2017		
Fund 13-Cafeteria Fund		
Revenues		\$747,583
Expenditures		-\$786,353
Excess (Deficiency)		-\$38,770
Transfers In		
Cash @ County Treasury	\$74,075	
Cash @ Bank	\$29,677	
Cash @ District	\$850	
Accounts Receivable	\$52,718	
Due from Other Funds	\$50,701	

Inventory	\$8,534	
Accounts Payable		\$1,820
Due to Other Funds		\$41,826
Unearned Income		\$42,587
Ending Fund Balance		
Non Spendable Cash		\$850
Stores		\$8,534
Restricted		\$120,938

Fund 17 – Special Reserve Fund for Other than Capital Outlay Projects

This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (*Education Code* Section 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (*Education Code* Section 42842). The ending fund is the remaining balance of one-time funds set aside and restricted in use as approved by SAB waiver.

June 30, 2017 – Statement of Financial Position

As of June 30, 2017			
Fund 17-Special Reserve for Other Than Capital Outlay			
Revenues			\$1,192
Expenditures			\$0
Excess (Deficiency)			\$1,192
Transfers In/Out		\$105,402	
Cash @ County Treasury		\$56,062	
Accounts Receivable		\$210	
Due from Other Funds		\$0	
Accounts Payable			\$0
Due to Other Funds			\$0
Unearned Income			\$0
Ending Fund Balance			
Assigned			\$2,227
Restricted			\$54,046

Fund 19 – Foundation Special Revenue Fund

This fund is used to account for resources received from gifts or bequests pursuant *Education Code* Section 41031 under which both earnings and principal may be used for purposes that Support the LEA’s own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the General Fund.

June 30, 2017 – Statement of Financial Position

As of June 30, 2017		
Fund 19-Foundation Special Revenue Fund		
Revenues		\$478
Expenditures		-\$405
Excess (Deficiency)		\$73
Transfers In/Out	\$0	\$0
Cash @ County Treasury	\$50,344	
Accounts Receivable	\$134	
Due from Other Funds	\$0	
Accounts Payable		\$0
Due to Other Funds		\$0
Unearned Income		\$0
Ending Fund Balance		
Assigned		\$0
Restricted		\$50,478

Fund 20 – Special Reserve Fund for Postemployment Benefits

This fund is used pursuant to *Education Code* Section 42840 to account for amounts the LEA has earmarked for the future cost of post-employment benefits (OPEB) but has not contributed irrevocably to a separate trust for the postemployment benefit plan. Amounts accumulated in this fund must be transferred back to the general fund for expenditure (*Education Code* Section 42842).

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund.

June 30, 2017 – Statement of Financial Position

As of June 30, 2017		
Fund 20-Special Reserve Fund for Postemployment Benefits		
Revenues		\$18,493
Expenditures		\$0
Excess (Deficiency)		\$18,493
Transfers In/Out	\$0	\$0
Cash @ County Treasury	\$1,957,496	
Accounts Receivable	\$5,222	
Due from Other Funds	\$0	
Accounts Payable		\$0
Due to Other Funds		\$0
Unearned Income		\$0
Ending Fund Balance		
Assigned		\$35,152
Restricted		\$1,927,566

Capital Project Funds

Fund 25 – Capital Facilities Fund

This fund is used primarily to account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620–17626 and *Government Code* Section 65995 et seq.). The authority for these levies may also be county or city ordinances (*Government Code* sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006).

The principal revenues in this fund are:

- Interest
- Mitigation/Developer Fees

Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in *Government Code* sections 65970–65981 or *Government Code* Section 65995 et seq., or to the items specified in agreements with the developer (*Government Code* Section 66006). Costs of justifying and adopting fees may be paid from Fund 25 (*Education Code* Section 17620). Administrative costs of collecting fees may be reimbursed from Fund 25 within the limitations of *Education Code* Section 17620. Eligible expenditures incurred in another fund may be reimbursed to that fund by means of an inter-fund transfer of direct costs (see Procedure 615).

June 30, 2017 – Statement of Financial Position

As of June 30, 2017		
Fund 25-Capital Facilities Fund		
Revenues		\$305,508
Expenditures		\$0
Excess (Deficiency)		\$305,508
Transfers In/Out	\$0	\$0
Cash @ County Treasury	\$609,828	
Accounts Receivable	\$1,364	
Due from Other Funds	\$0	

Accounts Payable		\$0
Due to Other Funds		\$0
Unearned Income		\$0
Ending Fund Balance		
Assigned		\$611,192
Restricted		\$0

Fund 40 – Special Reserve Fund for Capital Outlay Projects

This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49. Other authorized resources that may be deposited to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code* Section 41003).

The principal revenues and other sources in this fund are:

- Federal, State, or Local Revenues
- Rentals and Leases
- Interest
- Other Authorized Interfund Transfers In
- Proceeds from Sale/Lease–Purchase of Land and Buildings
- Federal Emergency Management Act (FEMA)

Transfers from the general fund to Fund 40 authorized by the governing board must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA’s property, and future maintenance and renovation of school sites (*Education Code* Section 17462). Expenditures for capital outlay are most commonly made against the 6000 object codes for capital outlay. Salaries of school district employees whose work is directly related to projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.

June 30, 2017 – Statement of Financial Position

As of June 30, 2017		
Fund 40-Special Reserve for Capital Outlay Projects		
Revenues		\$302,347
Expenditures		-\$577,778
Excess (Deficiency)		-\$275,431
Transfers In/Out	\$63,933	\$0
Cash @ County Treasury	\$13,161,090	
Accounts Receivable	\$39,223	
Due from Other Funds	\$14,808	
Accounts Payable		\$100,002
Due to Other Funds		\$63,933
Unearned Income		\$100,848
Ending Fund Balance		
Assigned		\$12,950,338
Restricted		\$0

Fund 51 – Bond Interest and Redemption Fund

This fund is maintained by the San Mateo County Treasurer’s Office and is used for the repayment of bonds issued for an LEA (*Education Code* sections 15125–15262). Bonds may be issued either by the county board of supervisors on behalf of the school district, or by the school district. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA.

The county auditor maintains control over the LEA’s Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

- The principal revenues in this fund are:
- State Subventions for Homeowners’ Exemptions
- Other Subventions/In-lieu Taxes
- Secured Roll Taxes Unsecured Roll Taxes

- Prior Years' Taxes
- Interest

Expenditures in this fund are limited to bond interest, redemption, and related costs. Any money remaining in this fund after the payment of all bonds and coupons payable from the fund, or any money in excess of an amount sufficient to pay all unpaid bonds and coupons payable from the fund, shall be transferred to the general fund upon order of the county auditor (*Education Code Section 15234*).

June 30, 2016 – Statement of Financial Position

As of June 30, 2017		
Fund 51-Bond Interest & Redemption Fund		
Revenues		\$4,177,001
Expenditures		-\$3,477,217
Excess (Deficiency)		\$699,784
Other Uses	\$5,400	\$0
Cash @ County Treasury	\$5,407,915	
Accounts Receivable	\$13,213	
Due from Other Funds	\$0	
Accounts Payable		\$0
Due to Other Funds		\$0
Unearned Income		\$0
Ending Fund Balance		
Assigned		\$0
Restricted		\$5,421,128