

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2015

Financial Highlights (continued)

□ Fiscal year 2014-15 net position ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about \$1.9 million higher, primarily due to "On-Behalf" payments made by the state for STRS contributions, property taxes and long-term financing for the LED lighting capital project. Unrestricted expenditures were approximately \$465 thousand lower than budget primarily due to lower than anticipated salaries, benefits (despite the increase resulting from the state "On-Behalf" payments) and operating costs, offset by higher capital outlay and other outgo.

The year ended with reserve levels at 13.5%.

□ Net costs for employee compensation decreased about 2.5% compared to the prior year actual expenditures. The slight decrease was primarily attributable to not filling vacant positions and the related benefit cost savings. Faculty salaries decreased by 2.0% attributable primarily to a Supplemental Employee Retirement Plan offered by the District. Classified salaries decreased 8.3% due to vacant positions not being filled. Administrators' salaries decreased 13.1% due to vacancies.

□ The Board directed funding the retiree healthcare obligation (other post-employment benefits or "OPEB") in advance rather than on the prior "pay as you go" basis. Between Fiscal Years 2005-06 and 2009-10, the District pre-funded the obligation transferring \$2,000,000 out of the General Fund into the Retiree Unfunded Medical Benefits Liability Fund. This pre-funding accumulated interest earnings in the amount of \$164,078. In June 2013, the District established an irrevocable OPEB trust fund with CalPERS, formally named the California Employers' Retiree Benefit Trust (CERBT) fund, and transferred the \$2,164,078 fund balance from the previous Retiree Unfunded Medical Benefits Liability Fund to the irrevocable OPEB Trust fund.

In December 2014, the District's Board of Trustees approved a \$250,000 contribution to the irrevocable trust fund. The FY 2015-16 Adoption Budget includes a \$500,000 contribution to the irrevocable trust fund. This contribution should then allow the District to begin receiving "pay-as-you-go" reimbursements from the trust fund for its retiree medical and dental premium payments.

As of June 30, 2015, the most recent actuarial valuation date, the District's Actuarial Accrued Liability for OPEB was \$3.6 million. The actuarial value of plan assets in the OPEB trust as of June 30, 2015 is \$2.8 million. A new actuarial study will be completed in FY 2016-17 for the period ending June 30, 2017.