



Tim Taylor

Superintendent
ttaylor@bcoe.org

Tad Alexander

Assistant
Superintendent
talexander@bcoe.org

Adrian Barron

Financial Analyst
LEA Services
530-532-5716
abarron@bcoe.org

Board of Education

Amy Christianson
Howard M. Ferguson
Ryne Johnson
Jeannine MacKay
Brenda J. McLaughlin
Roger Steel
Mike Walsh

Administrative Services

1859 Bird Street
Oroville, CA 95965
(530) 532-5720
Fax (530) 532-5759
<http://www.bcoe.org>

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Employer

January 4, 2016

Mrs. Kari Wheeler, Board President
Biggs Unified School District
300 B Street
Biggs, CA 95917

Subject: 2015-16 First Interim Budget

Dear Mrs. Wheeler:

In accordance with Education Code Section 42131, the Butte County Office of Education (BCOE) has reviewed the First Interim Budget Report of the Biggs Unified School District (BUSD) for fiscal year 2015-16. BCOE concurs with the district's positive certification indicating financial obligations will be met in the current and subsequent two fiscal years.

The assumptions used to build the First Interim Budget and Multi-Year Projection (MYP) are based on the Local Control Funding Formula (LCFF) and are reasonable. Funding for the current year is based on estimates for 2015-16. The ADA projections are dramatically higher than prior year P-2 ADA due to increased attendance created by the completion of a local subdivision. Federal revenues are reduced with the removal of MAA while state revenues increased due to the one time Educator Effectiveness Grant. Salaries and benefits reflect step and column cost increases for each fiscal year. Biggs Unified is able to meet the minimum reserve requirement for the current and subsequent fiscal years.

A Cash Flow Projection and assumptions are included with the First Interim Budget. Major assumptions provided are reasonable. The Governor has made elimination of cash deferrals a priority and at the time of this letter, 100% of all funds due should be received in the year they were intended. Even with this good news, cash preservation should be a focus for the administration as the state still has the ability to defer payments to local education agencies if the need arises. BCOE notes a projected General Fund cash balance of \$1.65 Million in June 2016.

There are a few areas of concern. The first is that the MYP indicates that even with the increase in projected ADA, there is budgeted deficit spending of \$309k in 2015-16 and another \$493K in the two out years. Although it is difficult in the current economic environment to eliminate deficit spending, BCOE recommends that the district continue to monitor this area of the budget. The second concern is the district's loss of Necessary Small School (NSS) funding. With the adoption of the new LCFF formula, the rules that governed NSS's were altered. One of the changes (increasing from 5 miles to 10 miles the distance the school could be from another public agency) resulted in the District no longer being able to use the NSS funding formula on their NSS Elementary school. Due to action at the state level, the Necessary Small High school was given a new timeline that expires in

"WHERE CHILDREN COME FIRST"

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2016-17. If the high school NSS change is not amended, it will result in an estimated yearly reduction of more than \$250,000. Due to the fact that the district can use the best of current or prior year ADA, the financial impact of this change will not take effect until the 2018-19 school year. The district is working with a consultant to petition the state to eliminate the changes so as to allow the high school to maintain its NSS status.

Based on our review, the First Interim Budget is approved as adopted. The attached analysis is provided for your information. If you would like additional information or analysis, please contact me at (530) 532-5617.

Sincerely,



Adrian Barron
Financial Analyst, LEA Services

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FS-1516-024

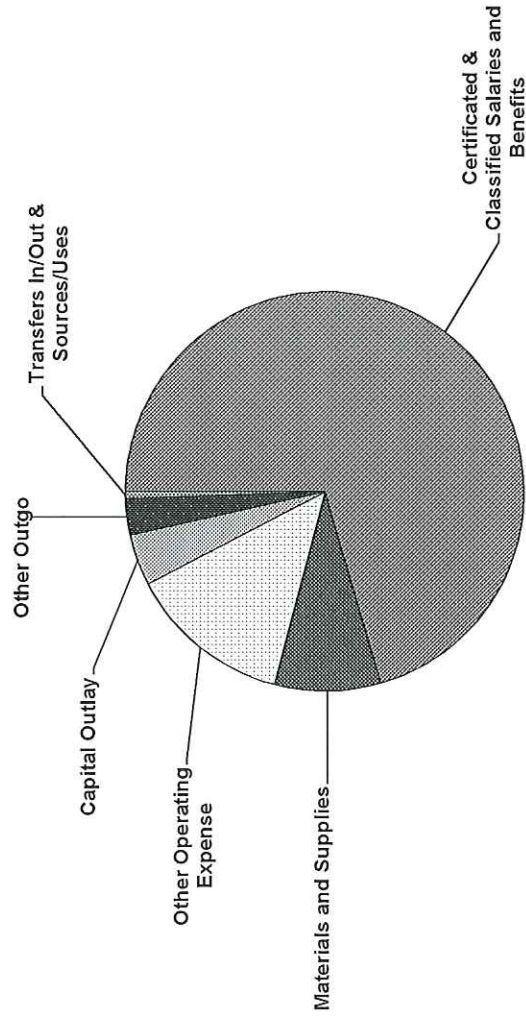
cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Tad Alexander, Assistant Superintendent of Administrative Services
Lisa Anderson, Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

Biggs Unified	2013-14 Actuals			2014-15 Actuals			2015-16 First Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	2,766,721	0	2,766,721	2,827,239		2,827,239	3,563,330		3,563,330
State Aid - Prior Year		0	0	(23,632)		(23,632)	0		0
Charter Aid (Included in State Aid)		0	0			0	0		0
Local Taxes	1,930,053	0	1,930,053	1,953,614		1,953,614	1,979,062		1,979,062
PERS Income(ended 12/13)		0	0			0			0
Charter In-Lieu Taxes	(14,623)	0	(14,623)	(3,787)		(3,787)	(3,592)		(3,592)
Total LCFF Revenue	4,682,151	0	4,682,151	4,753,434	0	4,753,434	5,538,800	0	5,538,800
Federal Revenue	6,707	314,730	321,436	20,383	275,507	295,889	5,360	440,303	445,663
Other State	87,179	351,600	438,778	135,016	324,546	459,562	520,834	237,535	758,369
Other Local	434,192	2,615	436,808	503,280	20,426	523,705	245,168		245,168
Total Revenues	5,210,228	668,944	5,879,173	5,412,113	620,478	6,032,591	6,310,162	677,838	6,988,000
Expenditures									
Certificated Salaries	1,970,384	202,233	2,172,616	1,991,692	174,297	2,165,989	2,408,970	238,976	2,647,946
Classified Salaries	908,450	169,289	1,077,738	907,919	160,243	1,068,162	982,841	224,925	1,207,766
Employee Benefits	977,981	96,708	1,074,689	1,033,329	227,068	1,260,397	1,184,945	138,565	1,323,510
Total Salaries & Benefits	3,856,814	468,230	4,325,044	3,932,940	561,608	4,494,547	4,576,756	602,466	5,179,222
Books and Supplies	319,018	67,335	386,353	318,503	137,990	456,493	528,541	105,807	634,348
Other Operating Expense	617,890	40,222	658,111	603,657	38,467	642,123	781,934	192,759	974,693
Capital Outlay	110,486	0	110,486	27,629		27,629	303,941		303,941
Other Outgo	431,550	117,814	549,364		149,089	149,089		215,000	215,000
Direct support/Indirect Costs	(51,016)	36,396	(14,620)	(48,655)	35,390	(13,265)	(65,369)	49,449	(15,920)
Total Expenditures	5,284,742	729,996	6,014,737	4,834,073	922,543	5,756,616	6,125,803	1,165,481	7,291,284
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	(74,513)	(61,051)	(135,564)	578,040	(302,065)	275,975	184,359	(487,643)	(303,284)
Transfers In	538,244	0	538,244			0			0
Transfers Out	50,955	0	50,955	95,000		95,000	58,277		58,277
Other Sources	0	0	0			0			0
Other Uses	0	0	0			0			0
Contributions to Rest. Program	(212,506)	212,506	0	(195,362)	195,362	0	(435,298)	435,298	0
Total Transfers and Other Uses	274,783	212,506	487,289	(290,362)	195,362	(95,000)	(493,575)	435,298	(58,277)
Total Outgo	5,009,958	517,490	5,527,448	5,124,435	727,181	5,851,616	6,619,378	730,183	7,349,561
Net Inc.(Dec.) to Fund Balance	200,270	151,455	351,725	287,678	(106,703)	180,975	(309,216)	(52,345)	(361,561)
Beginning Balance	967,733	7,593	975,326	1,168,004	159,048	1,327,053	1,455,682	52,345	1,508,027
Audit Adjustments/Restatements	1	1	2	0	(1)	(1)	(1)	0	(1)
Adjusted Beginning Balance	967,734	7,594	975,328	1,168,004	159,047	1,327,052	1,455,681	52,345	1,508,026
Ending Balance	1,168,004	159,048	1,327,053	1,455,682	52,345	1,508,027	1,146,465	(0)	1,146,465
For Economic Uncertainties	(7,503)	0	(7,503)	76,724	0	76,724	200,960	0	200,960
Other Available Reserves	1,175,508	0	1,175,508	1,378,958	(0)	1,378,958	945,505	0	945,505
Dedicated reserves	0	159,048	159,048	0	52,345	52,345		(0)	(0)
Other Funds	380,373		380,373	383,805		383,805	387,005		387,005
Required Reserves - 4%			242,628			234,065			293,982
Reserves as a %			28.01%			31.44%			20.86%

Where is the money spent?

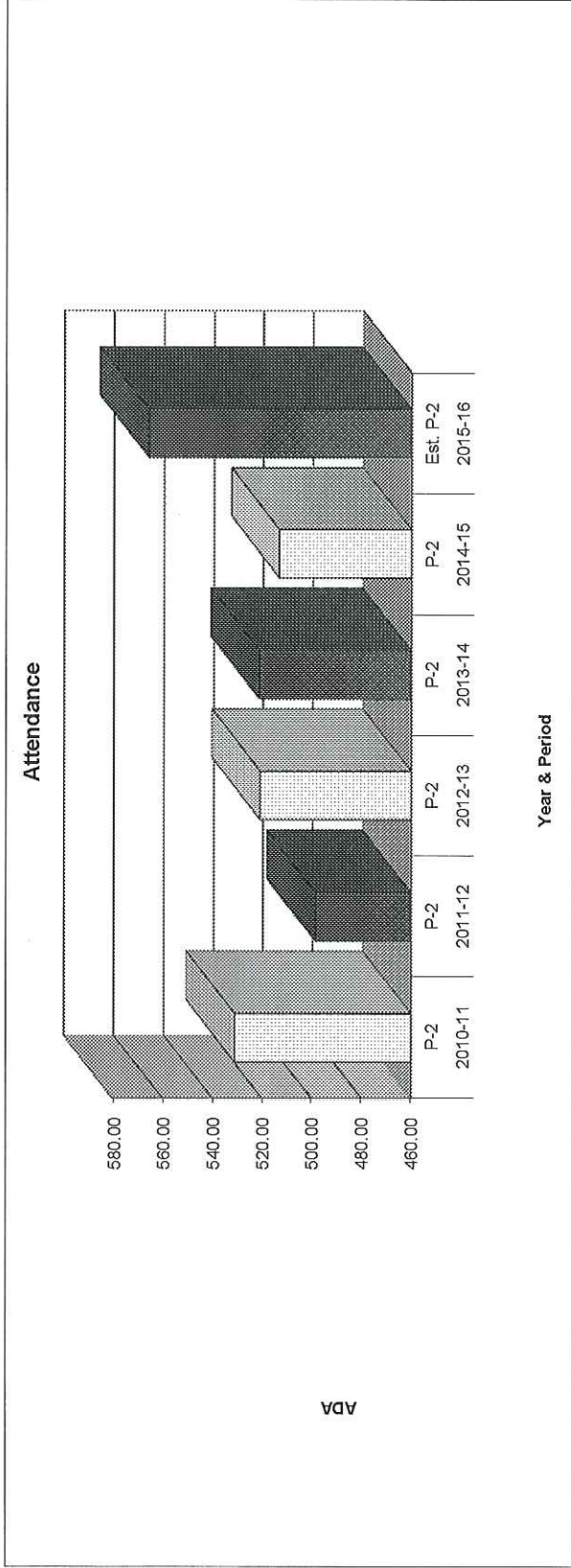


2015-16 Original Budget

Certificated/Classified Salaries and Benefits	5,179,222	70.47%
Materials and Supplies	634,348	8.63%
Other Operating Expense	974,693	13.26%
Capital Outlay	303,941	4.14%
Other Outgo	215,000	2.93%
Transfers In/Out & Sources/Uses	42,357	0.58%
Total	7,349,561	100.00%

P-2 ADA (Does not include charter school)

Year	ADA	Year	ADA	Year	ADA	Year	ADA	Year	ADA		
2010-11	531.09	2011-12	498.50	2012-13	520.70	2013-14	521.16	2014-15	512.99	2015-16	565.76
P-2		P-2		P-2		P-2		P-2		Est. P-2	



ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

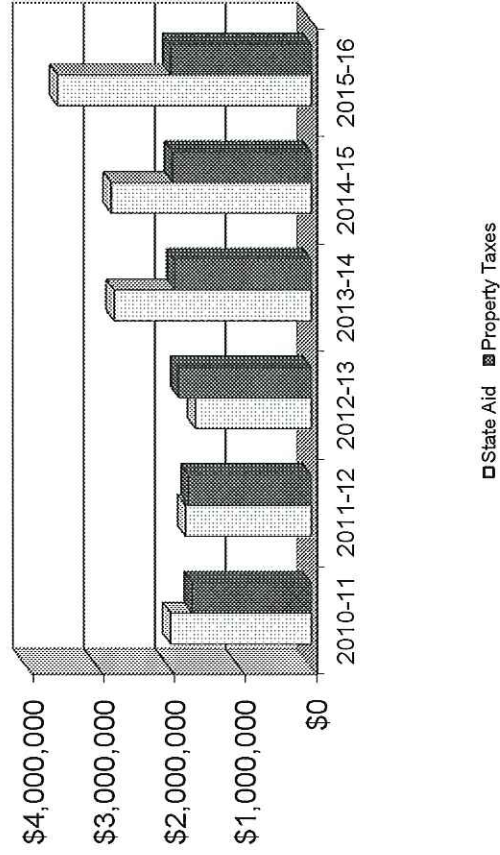
LCFF Revenue Funding

	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 First Interim
State Aid	1,972,822	1,761,618	1,617,675	2,766,721	2,803,607	3,563,330
Property Taxes	1,670,273	1,719,990	1,858,353	1,915,430	1,949,827	1,975,470
Total	3,643,095	3,481,608	3,476,028	4,682,151	4,753,434	5,538,800

Percentages

State Aid	54%	51%	47%	59%	59%	64%
Property Taxes	46%	49%	53%	41%	41%	36%

LCFF Revenue Funding

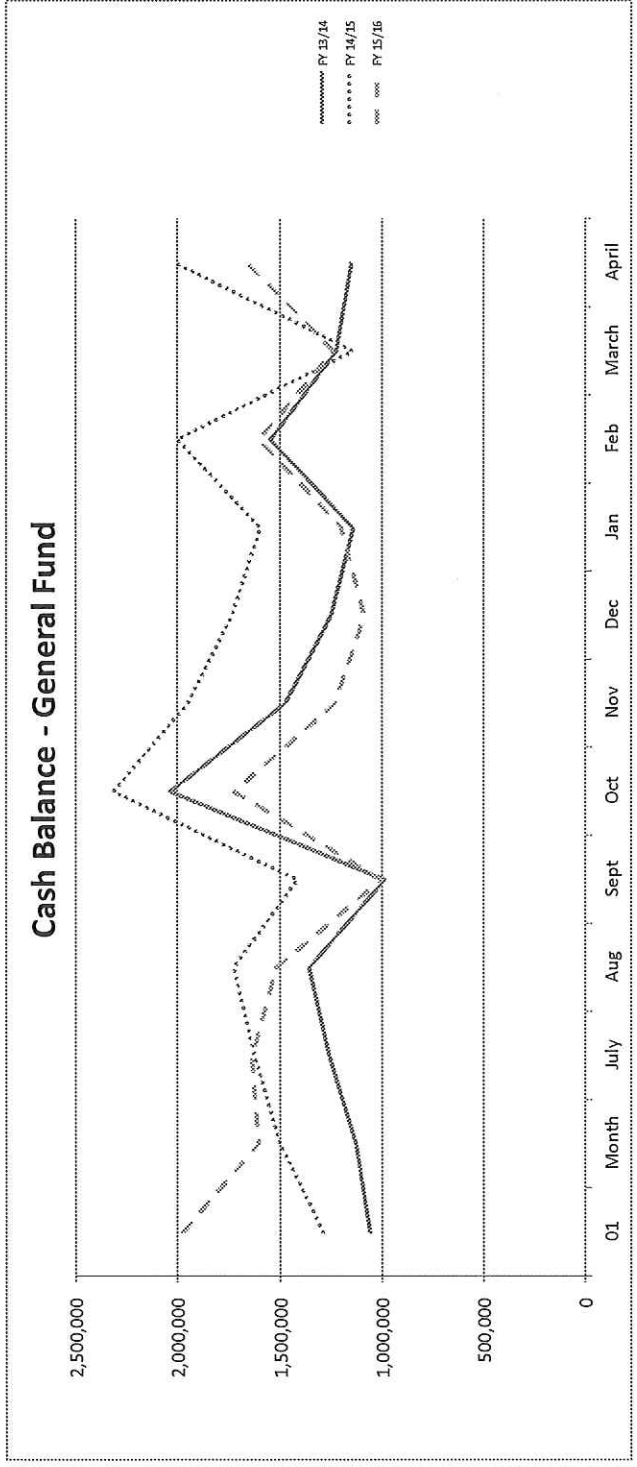


This graph illustrates the relationship between state aid and property taxes. A district with a higher state aid percentage will experience more volatility in the General Fund cash flow, due to the Principal Apportionment deferrals imposed by the State of California.

Cash Balance - General Fund

Fund 3520 01

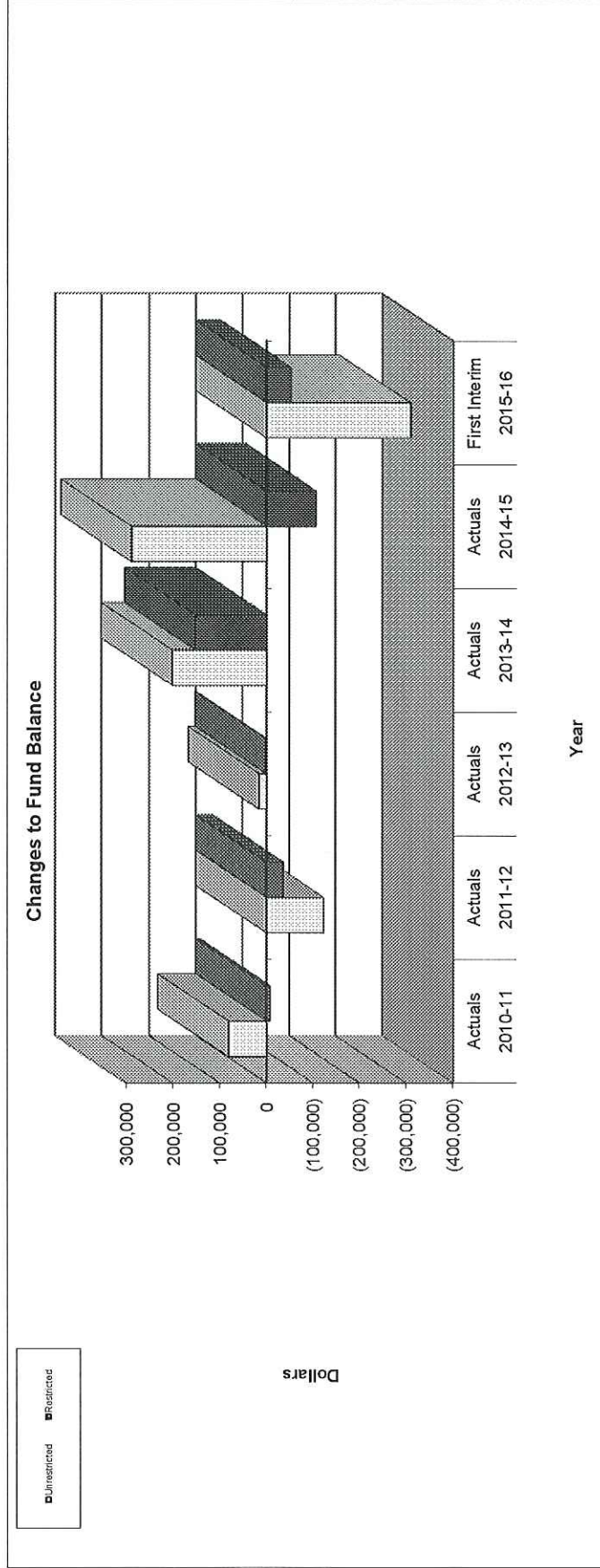
Month	FY 13/14	FY 14/15	FY 15/16
July	1,058,235	1,291,158	1,972,185
Aug	1,127,187	1,499,974	1,603,764
Sept	1,260,290	1,624,196	1,636,852
Oct	1,360,571	1,725,286	1,520,909 est
Nov	988,482	1,417,727	1,002,600 est
Dec	2,035,038	2,311,302	1,725,531 est
Jan	1,479,066	1,950,597	1,233,782 est
Feb	1,251,137	1,733,617	1,084,269 est
March	1,142,609	1,596,207	1,200,319 est
April	1,548,221	2,002,857	1,604,666 est
May	1,226,862	1,141,703	1,238,851 est
June	1,151,359	2,007,019	1,657,726 est



Each month reflects the actual cash balance for the General Fund at the Butte County Treasurer. The current fiscal year First Interim Budget Report will include actuals through October and the Second Interim Budget Report will include actuals through January.

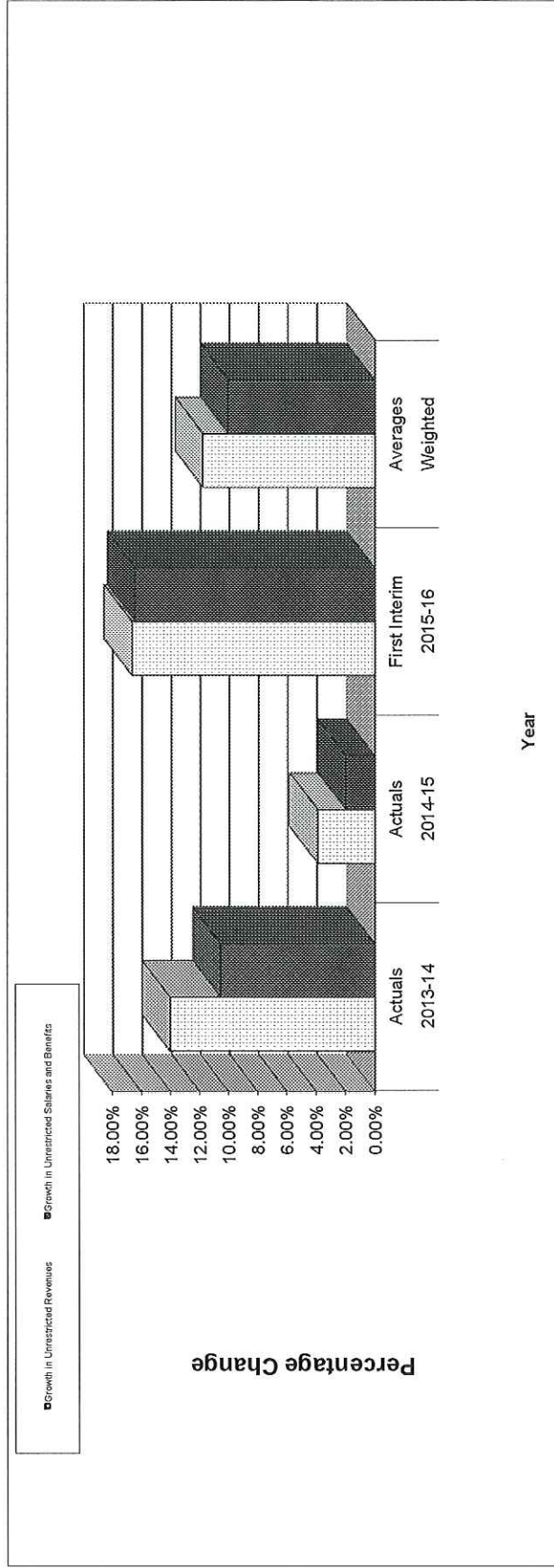
Changes to Fund Balance

	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 First Interim
Unrestricted	80,829	(123,178)	15,864	200,270	287,678	(309,216)
Restricted	(8,267)	(36,200)	1,426	151,455	(106,703)	(52,345)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

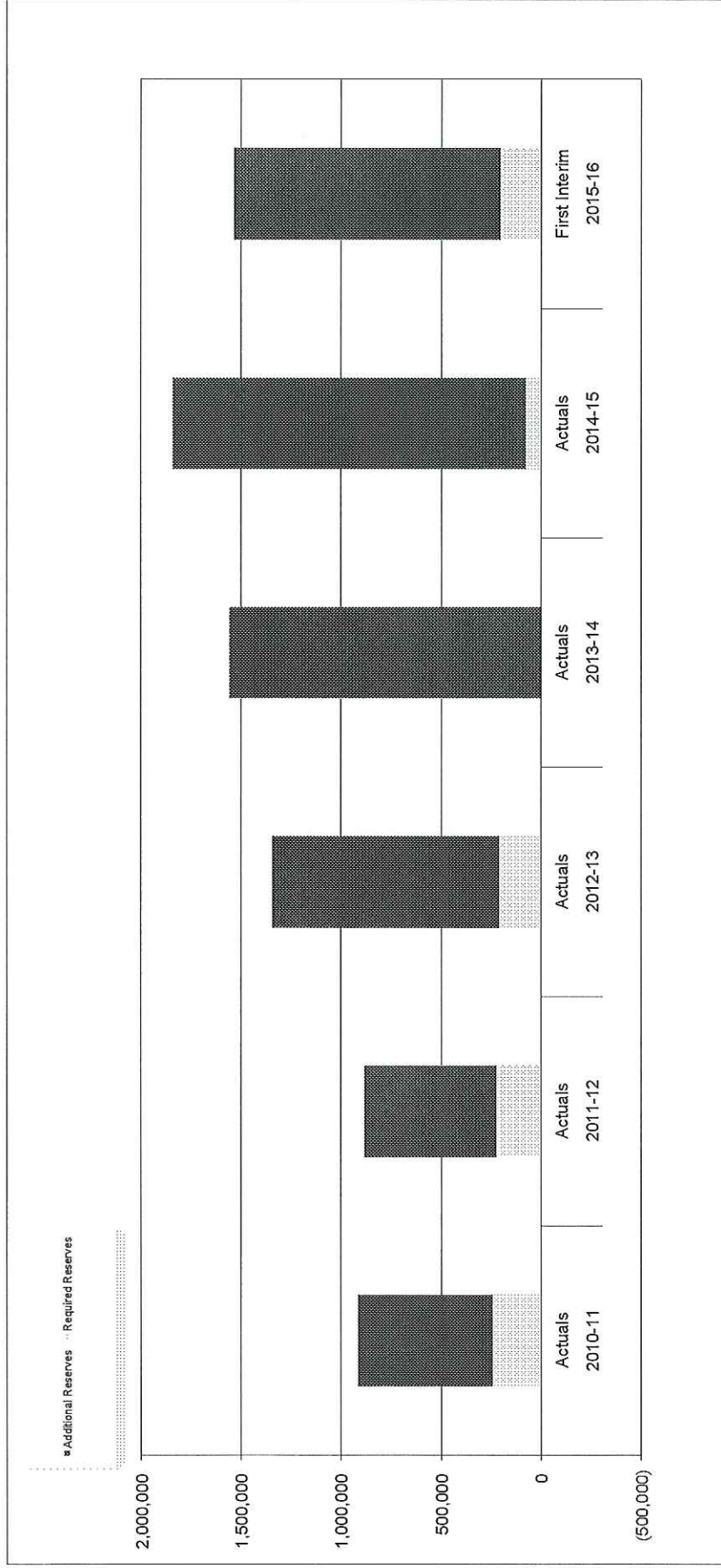
	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 First Interim	Weighted Averages
Unrestricted Revenues	4,569,888	5,210,228	5,412,113	6,310,162	1,165,933
Unrestricted Salaries and Benefits	3,489,763	3,856,814	3,932,940	4,576,756	1,163,699
Growth in Revenues between years		14.01%	3.87%	16.59%	11.73%
Growth in Salaries/Benefits between years		10.52%	1.97%	16.37%	9.97%



Unrestricted Salaries and Benefits should not grow faster than Unrestricted revenues unless the District Board conscientiously changes the priorities of the district.

Reserves Above Requirement

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Required Reserves	240,015	220,954	208,405	(7,503)	76,724	200,960
Additional Reserves	675,010	662,547	1,134,613	1,555,881	1,762,763	1,332,510
Total	915,026	883,501	1,343,019	1,548,378	1,839,487	1,533,470



The State of California has established minimum Fund Balance reserve levels for School Districts. This reserve is for Economic Uncertainties. It is usually designated in the Fund Balance of the District, or may be kept in several Special Reserve Funds. This graph represents additional reserves above the minimum level that is required by the State of California.