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Employer

January 15, 2018

Mr. Dennis Slusser, Board President
Biggs Unified School District
300 B Street
Biggs, CA 95917

Subject: 2017-18 First Interim Budget

Dear Mr. Slusser:

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 2017-18. 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. Current year projected Average Daily Attendance (ADA) is used for 2017-18 LCFF revenue projections while slight increases in ADA are projected in 2018-19 and 2019-20. LCFF revenue is increasing in 2017-18 due to gap closures by the state and a projected increase in ADA. Non-LCFF revenues are projected to decrease due in part to a reduction in the amount of one-time mandate funds to be received in 2017-18 as well as reductions to grant funding and the expiration of funding sources. Salaries and benefits reflect step and column increases in each fiscal year along with state mandated increased retiree costs associated with PERS and STRS contributions. Overall, operating expenditures are projected to decrease in 2017-18 due to one-time text book adoptions and capital-outlay in 2016-17 as well as the elimination of expenditures associated with decreasing or expiring funding sources. Biggs Unified is projected to be able to meet the minimum reserve requirement for the current and two subsequent fiscal years.

A Cash Flow Projection and assumptions were included with the 2017-18 First Interim Budget. While no cash deferrals were projected with the 2017-18 state budget, cash preservation should be a focus of the administration as the state has the ability to defer payments to local education agencies if the need arises. BCOE notes the District projects to have a positive ending cash balance in the General Fund in each month of 2017-18 with a projected General Fund cash balance of approximately \$1.2 million in June 2018.

While the District is projected to be able to meet its minimum reserve requirement in the budget year and the two subsequent fiscal years, there are two areas of concern. The first area of concern is the District's potential loss of Necessary Small School (NSS) funding for their high school. With the adoption of the new LCFF formula, the rules that governed NSS's were altered. The old rules governing Necessary Small High School funding expired at the end of the 2016-17 Fiscal Year. If this change is not amended, it will result in an estimated annual reduction in revenue of more than \$250,000.

"WHERE STUDENTS COME FIRST"

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It is currently projected that the loss of NSS funding would take place in 2018-19. The District is hopeful that proposed legislation will permanently restore this NSS funding however, they need to be prepared for the possibility this will not happen.

The second concern is significant projected unrestricted deficit spending in all three years of the MYP. This deficit spending exists despite large projected expenditure reductions in both 2018-19 and 2019-20. It should be noted that the deficit spending exists with or without the continuation of NSS funding. If the District is unable to actually make the proposed expenditure reductions reflected on the MYP, the deficit spending would be much larger than what is currently projected. It is currently projected that the District will need to rely on its Special Reserve for Non-Capital Outlay fund (Fund 17) to meet the minimum reserve requirement in 2018-19 and 2019-20.

It should also be noted that in 2018-19 and 2019-20 the District elected to use the higher LCFF gap funding numbers put out by the Department of Finance. Although it is possible that the state will be able to fund the LCFF at this rate, the District should be prepared for any reductions in revenue caused by a change to the gap estimates

Based on our review, the 2017-18 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) 532-5674.

Sincerely,



Travis W. Haskill
Director of External Services, Butte County Office of Education
LEA Services

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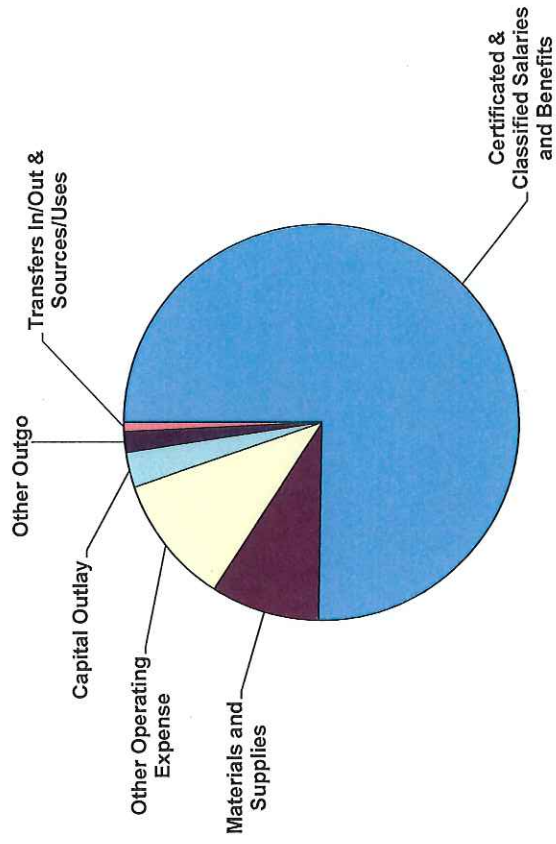
Cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Mary Sakuma, Deputy Superintendent
Lisa Anderson, Senior Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

Biggs Unified	2015-16 Actuals			2016-17 Unaudited Actuals			2017-18 First Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	3,250,733		3,250,733	3,434,187		3,434,187	3,402,573		3,402,573
State Aid - Prior Year	(10,987)		(10,987)	0		0	0		0
Charter Aid (included in State Aid)	0		0	0		0	0		0
Local Taxes	2,278,538		2,278,538	2,421,845		2,421,845	2,486,542		2,486,542
PERS Income(ended 12/13)	0		0	0		0	0		0
Charter In-Lieu Taxes	(11,414)		(11,414)	(15,575)		(15,575)	(15,770)		(15,770)
Total LCFF Revenue	5,506,870	0	5,506,870	5,840,457	0	5,840,457	5,873,345	0	5,873,345
Expenditures									
Federal Revenue	22,745	337,794	360,540	3,013	453,222	456,235	3,000	408,123	411,123
Other State	489,047	466,423	955,470	287,394	637,288	924,682	292,254	324,031	616,285
Other Local	267,896	0	267,896	669,767	34,417	704,184	204,855		204,855
Total Revenues	6,286,558	804,217	7,090,775	6,800,631	1,124,927	7,925,558	6,373,454	732,154	7,105,608
Certificated Salaries	2,281,552	235,614	2,517,166	2,335,460	277,854	2,613,314	2,533,161	337,155	2,870,316
Classified Salaries	936,883	207,358	1,144,241	990,106	291,311	1,281,417	1,061,587	308,327	1,369,914
Employee Benefits	1,080,322	274,003	1,354,325	1,234,022	354,504	1,588,526	1,371,553	226,230	1,597,783
Total Salaries & Benefits	4,298,758	716,974	5,015,732	4,559,588	923,669	5,483,257	4,966,301	871,712	5,838,013
Books and Supplies	481,903	117,606	599,509	501,428	157,560	658,988	522,526	162,935	685,461
Other Operating Expense	678,038	22,883	700,921	627,393	74,161	701,554	728,114	92,855	820,969
Capital Outlay	143,527	52,774	196,301	439,848	219,543	659,391	149,448	72,506	221,954
Other Outgo	0	207,631	207,631	0	201,648	201,648	0	130,402	130,402
Direct support/indirect Costs	(55,189)	41,956	(13,233)	(64,160)	52,233	(11,927)	(61,703)	45,783	(15,920)
Total Expenditures	5,547,037	1,159,824	6,706,861	6,064,097	1,628,814	7,692,911	6,304,686	1,376,193	7,680,879
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	739,521	(355,607)	383,914	736,534	(503,887)	232,647	68,768	(644,039)	(575,271)
Transfers In	0		0	0		0	0		0
Transfers Out	608,375		608,375	40,985		40,985	73,921		73,921
Other Sources	0		0	0		0	0		0
Other Uses	0		0	0		0	0		0
Contributions to Rest. Program	(412,958)	412,958	0	(473,180)	473,180	0	(565,051)	565,051	0
Total Transfers and Other Uses	(1,021,333)	412,958	(608,375)	(514,165)	473,180	(40,985)	(638,972)	565,051	(73,921)
Total Outgo	6,568,370	746,866	7,315,236	6,578,262	1,155,634	7,733,896	6,943,658	811,142	7,754,800
Net Inc.(Dec.) to Fund Balance	(281,811)	57,351	(224,461)	222,369	(30,707)	191,662	(570,204)	(78,988)	(649,192)
Beginning Balance	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566	1,396,240	78,988	1,475,228
Audit Adjustments/Restatements	0	0	0	0	0	0	(1)	0	(1)
Adjusted Beginning Balance	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566	1,396,239	78,988	1,475,227
Ending Balance	1,173,871	109,695	1,283,566	1,396,240	78,988	1,475,228	826,035	0	826,035
For Economic Uncertainties	76,724	0	76,724	26,667	0	26,667	21,619	0	21,619
Other Available Reserves	1,097,147	0	1,097,147	361,464	0	361,464	804,416	0	804,416
Dedicated reserves	0	109,695	109,695	1,008,109	78,988	1,087,097	0	0	0
Other Funds	587,688		587,688	592,488		592,488	597,487		597,487
Required Reserves - 4%			292,609			309,356			310,192
Reserves as a %			24.08%			12.68%			18.36%

Where is the money spent?



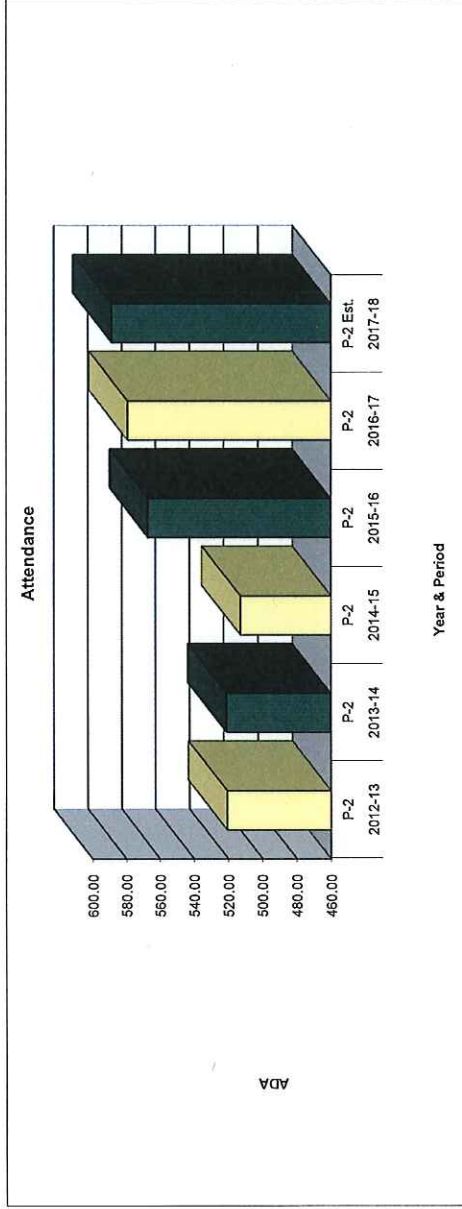
2017-18 First Interim Budget

Certificated/Classified Salaries and Benefits	5,838,013	75.28%
Materials and Supplies	685,461	8.84%
Other Operating Expense	820,969	10.59%
Capital Outlay	221,954	2.86%
Other Outgo	130,402	1.68%
Transfers In/Out & Sources/Uses	58,001	0.75%
Total	7,754,800	100.00%

P-2 ADA (Does not include charter school)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
P-2	P-2	P-2	P-2	P-2	P-2 Est.
520.70	521.16	512.99	567.43	579.38	588.90

P-2 ADA

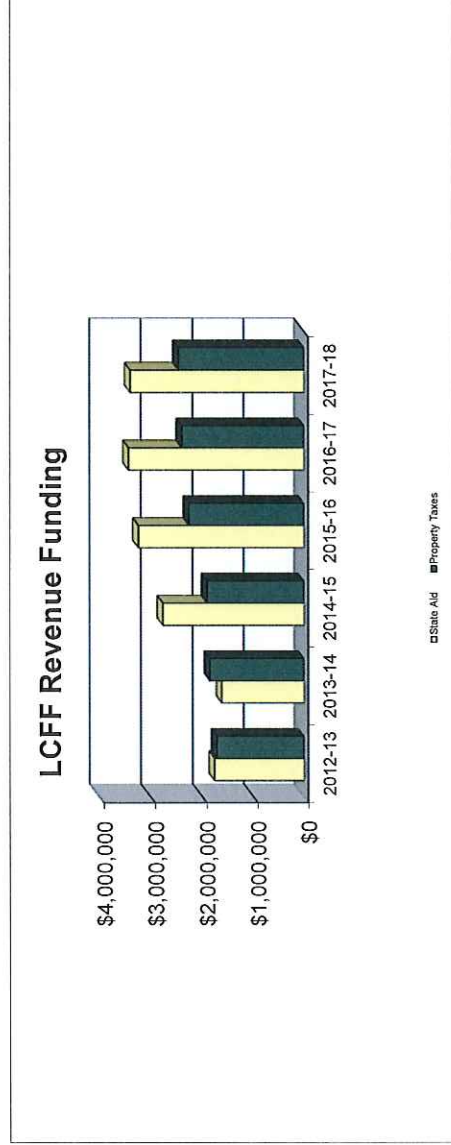


ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

LCFF Revenue Funding

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
State Aid	1,761,618	1,617,675	2,766,721	3,239,746	3,434,187	3,402,573
Property Taxes	1,719,990	1,858,353	1,915,430	2,267,124	2,406,270	2,470,772
Total	3,481,608	3,476,028	4,682,151	5,506,870	5,840,457	5,873,345

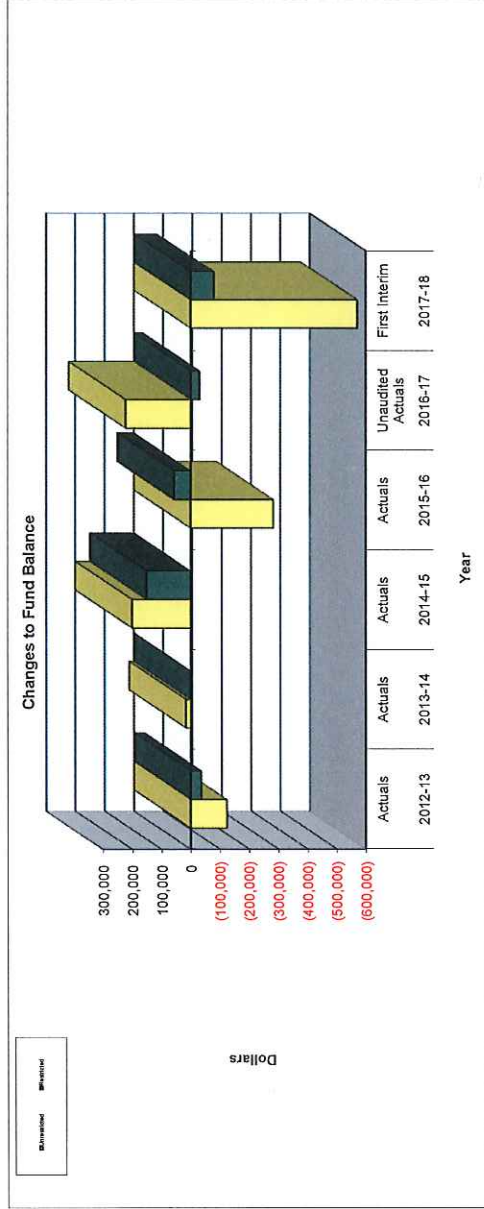
Percentages	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
State Aid	51%	47%	59%	59%	59%	58%
Property Taxes	49%	53%	41%	41%	41%	42%



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.

Changes to Fund Balance

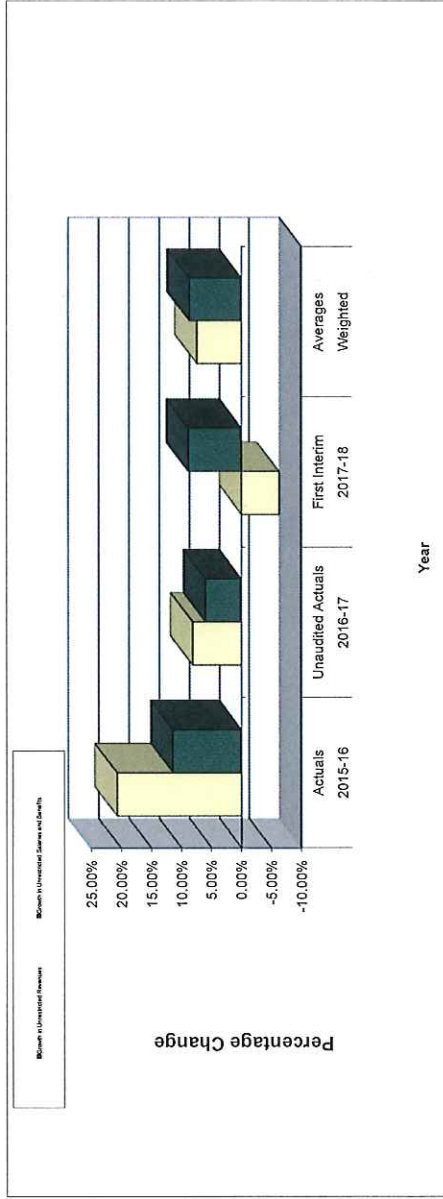
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Unrestricted	Actuals (123,178)	Actuals 15,864	Actuals 200,270	Actuals (281,811)	Unaudited Actuals 222,369	First Interim (570,204)
Restricted	Actuals (36,200)	Actuals 1,426	Actuals 151,455	Actuals 57,351	Unaudited Actuals (30,707)	First Interim (78,986)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

	2014-15		2015-16		2016-17		2017-18		Weighted Averages	
	Actuals	Unaudited Actuals	Actuals	Unaudited Actuals	Actuals	Unaudited Actuals	First Interim	First Interim	Averages	Averages
Unrestricted Revenues	5,210,228	6,800,631	6,286,558	6,800,631	6,373,454	6,373,454	6,373,454	6,373,454	0.937186	1.0892
Unrestricted Salaries and Benefits	3,856,814	4,559,588	4,298,758	4,559,588	4,966,301	4,966,301	4,966,301	4,966,301	7.47%	8.77%
Growth in Revenues between years			20.66%	8.18%	-6.28%	-6.28%	-6.28%	-6.28%	7.47%	8.77%
Growth in Salaries/Benefits between years			11.46%	6.07%	8.92%	8.92%	8.92%	8.92%	8.77%	8.77%

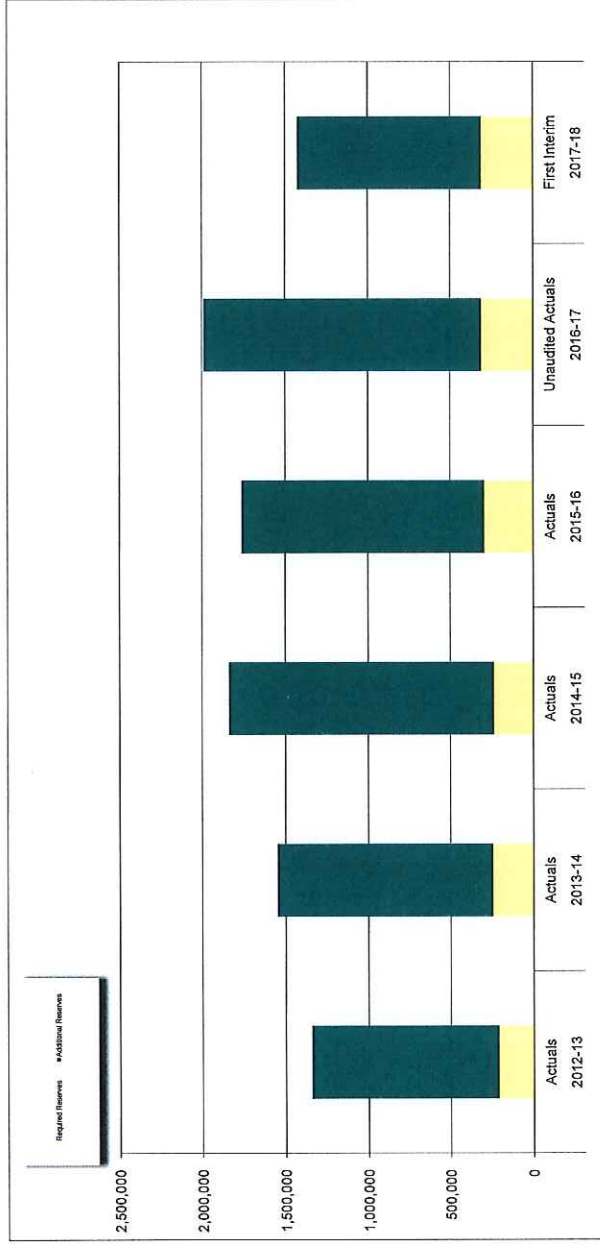
Unrestricted Revenues
 Unrestricted Salaries and Benefits
 Growth in Revenues between years
 Growth in Salaries/Benefits between years



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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Required Reserves	208,405	242,628	234,065	292,609	309,356	310,192
Additional Reserves	1,134,613	1,305,750	1,605,423	1,468,949	1,679,372	1,113,329
Total	1,343,019	1,548,378	1,839,487	1,761,558	1,988,727	1,423,521



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.