



Tim Taylor

Superintendent
ttaylor@bcoe.org

Mary Sakuma

Deputy
Superintendent
msakuma@bcoe.org

Travis Haskill

Director of External
Services
LEA Services
530-532-5674
thaskill@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) 532-5716
Fax (530) 532-5759
<http://www.bcoe.org>

An Equal Opportunity
Employer

April 15, 2018

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

Subject: 2017-18 Second Interim Budget

Dear Mr. Slusser:

In accordance with Education Code Section 42131, the Butte County Office of Education (BCOE) has reviewed the Second 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 Second 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 ADA is projected to remain flat 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. BCOE notes a large projected increase in LCFF funding in 2018-19 due to the full implementation of the LCFF. 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 Second 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 \$1.3 million in June 2018.

Previously a major area of concern for Biggs Unified was the potential loss of Necessary Small School (NSS) funding for their high school. However, BCOE is pleased to note that it appears this potential loss of funding will be largely offset by the increased revenue associated with increasing ADA and the full implementation of the LCFF. The District's projected 2017-18 ADA is a 3.7% increase over their 2016-17 ADA. The District is still hopeful that proposed legislation will permanently restore this NSS funding.

"WHERE STUDENTS COME FIRST"

April 15, 2018
2017-18 Second Interim Budget
Page Two

Despite this favorable news a major area of concern is unrestricted deficit spending in all three years of the MYP. This deficit spending exists despite large projected 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 estimated. Current projections indicate 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 on the MYP for the 2018-19 year, the District elected to include one-time funding of approximately \$174K which has been proposed in the Governor's budget but has not yet been approved. If the one-time funds are not approved, the district will be unable to budget these funds and the projected deficit spending for 2018-19 will increase, with the District relying more heavily on their Fund 17 in order to meet the minimum reserve requirement.

Based on our review, the 2017-18 Second 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

rj
FS-1718-062

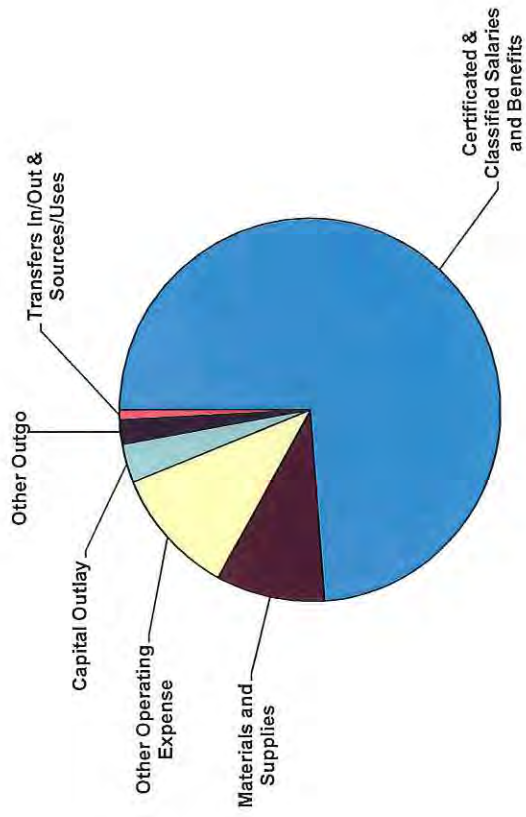
Cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Mary Sakuma, Deputy Superintendent
Lisa Anderson, Senior Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

Biggs Unified	2015-16 Actuals			2016-17 Unaudited Actuals			2017-18 Second 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	3,426,397		3,426,397
State Aid - Prior Year	(10,987)		(10,987)	0		0	0		0
Charter Aid (included in State Aid)			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
Charter In-Lieu Taxes	(11,414)		(11,414)	(15,575)		(15,575)	(15,770)		(15,770)
Total LGFF Revenue	5,506,870	0	5,506,870	5,840,457	0	5,840,457	5,897,169	0	5,897,169
Federal Revenue	22,745	337,794	360,540	3,013	453,222	456,235	3,000	411,167	414,167
Other State	489,047	466,423	955,470	287,394	637,288	924,682	338,739	324,031	662,770
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	6,443,763	735,198	7,178,961
Expenditures									
Certificated Salaries	2,281,552	235,614	2,517,166	2,335,460	277,854	2,613,314	2,464,486	360,567	2,825,053
Classified Salaries	936,883	207,358	1,144,241	990,106	291,311	1,281,417	1,044,402	294,364	1,338,766
Employee Benefits	1,080,322	274,003	1,354,325	1,234,022	354,504	1,588,526	1,365,484	204,873	1,570,357
Total Salaries & Benefits	4,298,758	716,974	5,015,732	4,559,588	923,669	5,483,257	4,874,372	859,804	5,734,176
Books and Supplies	481,903	117,606	599,509	501,428	157,560	658,988	556,298	162,935	719,233
Other Operating Expense	678,038	22,883	700,921	627,392	74,161	701,553	739,949	100,199	840,148
Capital Outlay	143,527	52,774	196,301	439,848	219,543	659,391	179,630	72,506	252,136
Other Outgo	0	207,631	207,631	0	201,648	201,648	0	160,402	160,402
Direct support/Indirect Costs	(55,189)	41,956	(13,233)	(64,160)	52,233	(11,927)	(62,388)	46,468	(15,920)
Total Expenditures	5,547,037	1,159,824	6,706,861	6,064,096	1,628,814	7,692,910	6,287,861	1,402,314	7,690,175
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	739,521	(355,607)	383,914	736,535	(503,887)	232,648	155,902	(667,116)	(511,214)
Transfers In									
Transfers Out	608,375		608,375	40,985		40,985	79,985		79,985
Other Sources			0			0			0
Other Uses			0			0			0
Contributions to Rest. Program	(412,958)	412,958	0	(473,180)	473,180	0	(588,128)	588,128	0
Total Transfers and Other Uses	(1,021,333)	412,958	(608,375)	(514,165)	473,180	(40,985)	(668,113)	588,128	(79,985)
Total Outgo	6,568,370	746,866	7,315,236	6,578,261	1,155,634	7,733,895	6,955,974	814,186	7,770,160
Net Inc.(Dec.) to Fund Balance	(281,811)	57,351	(224,461)	222,370	(30,707)	191,663	(512,211)	(78,988)	(591,199)
Beginning Balance	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566	1,396,241	78,988	1,475,229
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	1,396,240	78,988	1,475,228
Ending Balance	1,173,871	109,695	1,283,566	1,396,241	78,988	1,475,229	884,029	0	884,029
For Economic Uncertainties	76,724	0	76,724	26,667	0	26,667	22,848	0	22,848
Other Available Reserves	1,097,147	0	1,097,147	361,465	0	361,465	861,181	0	861,181
Dedicated reserves	0	109,695	109,695	1,008,109	78,988	1,087,097	0	0	0
Other Funds	587,688		587,688	593,766		593,766	598,765		598,765
Required Reserves - 4%			292,609			309,356			310,806
Reserves as a %			24.08%			12.70%			19.08%

Where is the money spent?

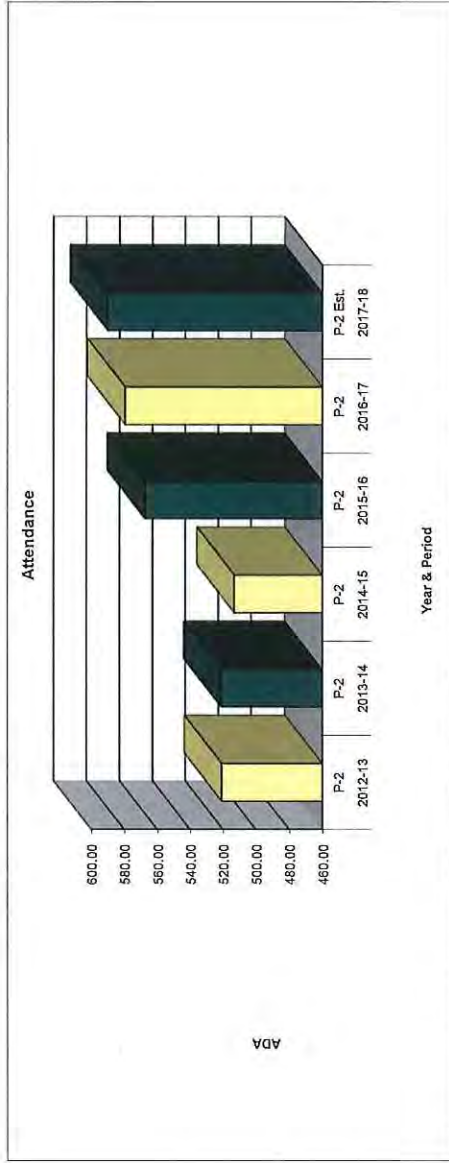


2017-18 Second Interim Budget

Certificated/Classified Salaries and Benefits	5,734,176	73.80%
Materials and Supplies	719,233	9.26%
Other Operating Expense	840,148	10.81%
Capital Outlay	252,136	3.24%
Other Outgo	160,402	2.06%
Transfers In/Out & Sources/Uses	64,065	0.82%
Total	7,770,160	100.00%

P-2 ADA (Does not include charter school)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
P-2 ADA	P-2	P-2	P-2	P-2	P-2	P-2 Est.
	520.70	521.16	512.99	567.43	579.38	590.00

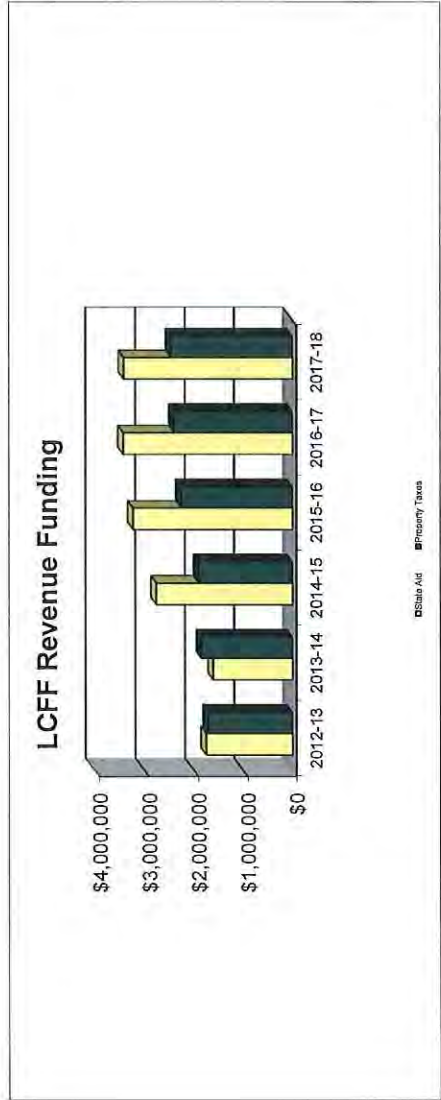


ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

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	3,426,397
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	5,897,169

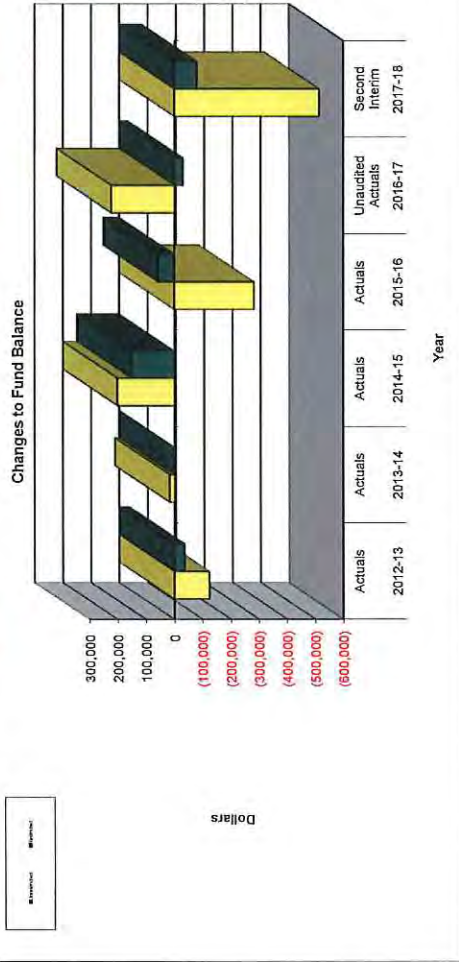
Percentages	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
State Aid	51%	47%	59%	59%	59%	58%
Property Taxes	49%	53%	41%	41%	41%	42%



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

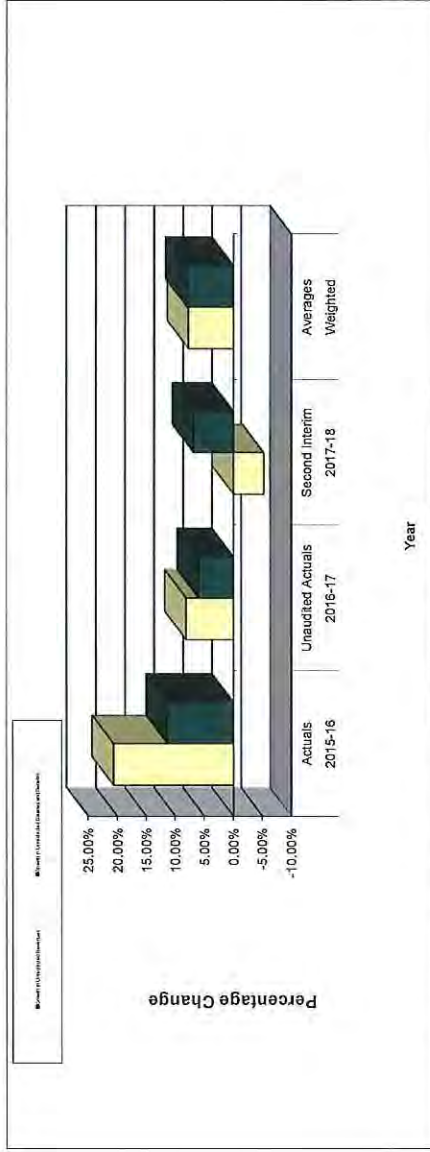
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Unrestricted	Actuals (123,178)	Actuals 15,864	Actuals 200,270	Actuals (281,811)	Unaudited Actuals 222,370	Second Interim (512,211)
Restricted	(36,200)	1,426	151,455	57,351	(30,707)	(78,988)



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	Second Interim	Second Interim	Averages	Averages
5,210,228	6,286,558	6,800,631	6,443,763	4,559,588	4,874,372	0.947524	1.069038		
3,856,814	4,298,758	4,559,588	4,874,372	8.18%	-5.25%	7.77%	8.05%		
	20.66%	6.07%	6.90%						
	11.46%	6.07%	6.90%						

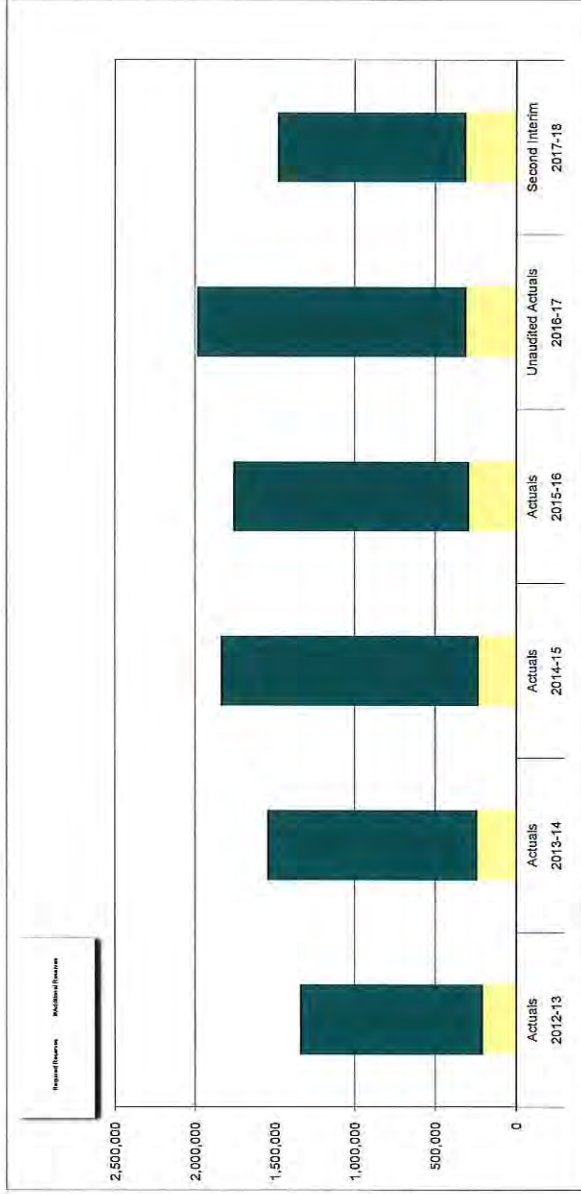
Unrestricted Revenues
 Unrestricted Salaries and Benefits
 Growth in Revenues between years
 Growth in Salaries/Benefits between years



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	310,806
Additional Reserves	1,134,613	1,305,750	1,605,423	1,468,949	1,680,651	1,171,987
Total	1,343,019	1,548,378	1,839,487	1,761,558	1,990,006	1,482,793



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.