

# BUTTE COUNTY

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SUPERINTENDENT

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### Board of Education

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Mike Walsh*

An Equal Opportunity  
Employer

July 27, 2011

Mrs. Kathryn Sheppard, Board President  
Biggs Union Elementary School District  
300 B Street  
Biggs, CA 95917

Dear Mrs. Sheppard:

In accordance with Education Code Section 42127, the Butte County Office of Education (BCOE) has reviewed the Original Budget Report of the Biggs Unified School District (BUSD) for fiscal year 2011-12. The Education Code requires the county superintendent to approve, conditionally approve or disapprove the budget for each school district after completing the following:

1. Examine the projected budget; determine whether it complies with the standards and criteria established by the state.
2. Identify any technical corrections needed to bring the budget into compliance with the standards and criteria established by the state.
3. Determine whether the adopted budget will allow the district to meet its financial obligations during the fiscal year.

The assumptions used to build the Original Budget and Multi-Year Projection (MYP) are based on the Governor's May Revise Proposals for 2011-12 and are reasonable. Revenue limit funding reflects the current deficit factor and prior year P-2 ADA for current year revenue limit funding. Future years reflect decreasing ADA. Federal revenues reflect flat funding and state revenues are reduced when appropriate. Salaries and benefits reflect step and column for each year. BCOE notes a transfer of \$372,000 from the Special Reserve for Non-Capital Outlay Fund into the General Fund is projected in 2012-13, which represents the entire fund balance. Another transfer of \$215,000 from the Other Post Employment Benefits Fund into the General Fund is projected in 2013-14, and also represents the entire fund balance. Biggs Unified School District is able to meet the minimum reserve requirement for the current and subsequent fiscal years.

An area of concern is projected unrestricted deficit spending in the current and future years. The transfers of one-time funds mask the true amount of unrestricted deficit spending in the General Fund. The MYP indicates all of the one-time funds will be spent at the end of 2013-14 and the unrestricted General Fund balance will be negative at the end of 2014-15, unless adjustments are made to the budget. Although it is difficult in the current environment to eliminate deficit spending, BCOE recommends that the district continue to monitor unrestricted deficit spending.

A Cash Flow Projection and assumptions are included with the Original Budget. Major assumptions provided are reasonable. Cash preservation should be a focus for the administration, because of the ability of the state to defer payments to LEA's. BCOE notes a projected General Fund balance of (\$93,147) in June 2012. Fortunately, Biggs Unified has cash in other funds that can cover this negative balance, so the ability to inter-fund borrow is available.

*"WHERE CHILDREN COME FIRST"*

AB 114 was signed into law on June 30, 2011. BCOE makes the following recommendations:

- ✓ Make any budget revisions by August 15th.
- ✓ Continue with "best practices" to maintain fiscal solvency. This includes, but is not limited to, controlling expenditures in an environment of uncertainty, reviewing staffing ratios and developing an MYP for planning purposes.
- ✓ Create a contingency plan for decreased revenues. If state revenues fall short of projections by more than \$4 billion (worst case scenario) at December 15, 2011, automatic spending reductions would be implemented on January 1, 2012. BUSD would lose approximately \$74,062 in revenue limit funding. In addition to the revenue limit reduction, approximately 50% will be cut from the Home-to-School Transportation program.
- ✓ Develop a cash flow projection that includes the potential revenue limit and transportation reductions. If the reductions are implemented on January 1<sup>st</sup>, a negative effect on cash flow will begin February 2012.
- ✓ Revise the Original Budget Cash Flow Projection to include the deferrals included in AB 114. Cash balances should be reviewed for all funds on a monthly basis.

The volatility of state revenues and the potential for mid-year funding reductions makes it necessary to prudently manage district finances. Planning for the future will help the board and administration meet challenges in a proactive manner and ensure the education of students remains a priority. BCOE thanks the board for their leadership.

Based on our review, the Original 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 532-5617.

Sincerely,



Lisa A. Anderson  
Director, Fiscal Services

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FS-1112-008

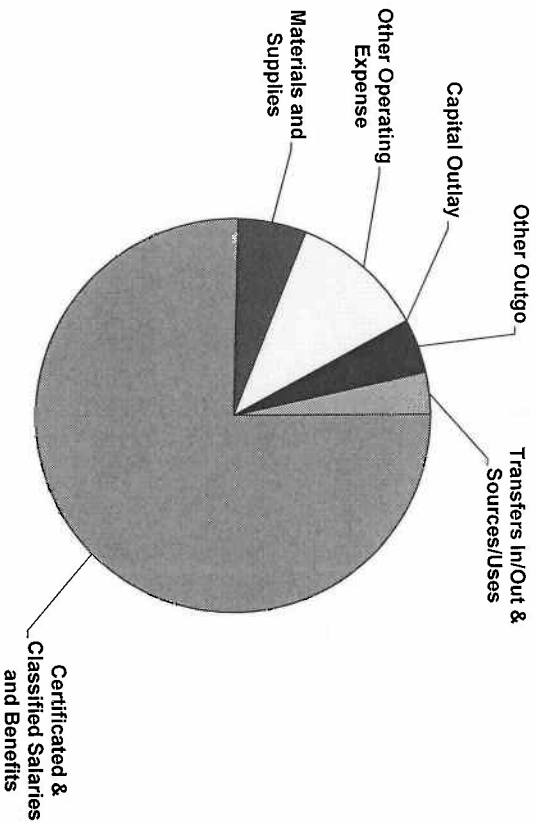
cc: Doug Kaelin, Superintendent, Biggs Unified School District  
Pam Ragan, Financial Officer, Biggs Unified School District  
Don McNelis, Butte County Superintendent of Schools  
Kevin Bultema, Assistant Superintendent of Administrative Services  
Adrian Barron, Financial Analyst

Attachment

**AB 1200 Data Analysis - General Fund**

	2009-10 Actuals			2010-11 Estimated Actuals			2011-12 Original Budget		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<b>Biggs Unified</b>									
<b>Revenues</b>									
State Aid	1,871,066		1,871,066	2,022,252	0	2,022,252	1,851,557	0	1,851,557
State Aid - Prior Year	(98,546)		(98,546)	0	0	0	0	0	0
Charter Aid	1,673,309		1,673,309	1,624,116	0	1,624,116	1,624,116	0	1,624,116
Local Taxes				15,262	0	15,262	10,833	0	10,833
PERS Income	5,123	0	5,123	(12,928)	0	(12,928)	(12,150)	0	(12,150)
Charter In-Lieu				3,648,702	0	3,648,702	3,474,356	0	3,474,356
Total Revenue Limit	3,450,952	0	3,450,952	45,365	391,128	436,493	44,556	263,685	308,241
Federal Revenue	197,039	442,132	639,172	818,172	422,280	1,240,452	796,835	405,730	1,202,565
Other State	674,203	412,180	1,086,383	226,450	0	226,450	239,446	0	239,446
Other Local	251,162	0	251,162	4,738,689	813,408	5,552,097	4,555,193	669,415	5,224,608
Total Revenues	4,573,357	854,312	5,427,669	1,851,424	358,213	2,209,636	1,821,542	277,123	2,098,665
<b>Expenditures</b>									
Certificated Salaries	1,782,932	549,607	2,332,539	711,712	307,393	1,019,105	727,211	324,897	1,052,108
Classified Salaries	750,999	311,818	1,062,817	909,014	208,192	1,117,206	977,398	192,808	1,170,206
Employee Benefits	881,640	261,983	1,143,624	3,472,150	873,797	4,345,947	3,526,152	794,827	4,320,979
Total Salaries & Benefits	3,415,571	1,123,409	4,538,980	228,173	153,287	381,460	221,304	98,209	319,513
Books and Supplies	200,687	107,156	307,843	627,348	82,304	709,652	580,361	55,199	635,560
Other Operating Expense	504,793	36,874	541,667	63,038	25,092	88,130	3,500	0	3,500
Capital Outlay	0	17,808	17,808	0	181,519	181,519	11,550	241,558	253,108
Other Outgo	0	165,575	165,575	(62,925)	51,856	(11,069)	(66,526)	55,452	(11,074)
Direct support/Indirect Costs	(64,187)	51,718	(12,469)	4,327,784	1,367,855	5,695,639	4,276,341	1,245,245	5,521,586
Total Expenditures	4,056,865	1,502,539	5,559,404	410,905	(554,447)	(143,542)	278,852	(575,830)	(296,978)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	516,491	(648,227)	(131,735)						
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	34,634	0	34,634	218,735	0	218,735	196,569	0	196,569
Other Sources									
Other Uses	(389,206)	389,206	0	(503,815)	503,815	0	(575,832)	575,832	0
Contributions to Rest. Program	(423,840)	389,206	(34,634)	(722,550)	503,815	(218,735)	(772,401)	575,832	(196,569)
Total Transfers and Other Uses	4,480,705	1,113,333	5,594,038	5,050,334	864,040	5,914,374	5,048,742	669,413	5,718,155
Total Outgo									
Net Inc.(Dec.) to Fund Balance	92,651	(259,021)	(166,369)	(311,645)	(50,632)	(362,277)	(493,549)	2	(493,547)
Beginning Balance	808,718	216,052	1,024,770	901,369	50,634	952,003	682,573	2	682,575
Audit Adjustments/Restatements	0	93,601	93,601	92,849	0	92,849	0	0	0
Adjusted Beginning Balance	808,718	309,653	1,118,371	994,218	50,634	1,044,852	682,573	2	682,575
Ending Balance	901,369	50,632	952,002	682,573	2	682,575	189,025	3	189,028
For Economic Uncertainties	223,762		223,762	236,575	0	236,575	385,858	0	385,858
Other Available Reserves	226,232		226,232	443,998	0	443,998	(196,834)	0	(196,834)
Dedicated reserves	451,376	50,632	502,008	2,000	2	2,002	0	3	3
Other Funds	369,858		369,858	377,858		377,858	385,858		385,858
Required Reserves - 4%			223,762			236,575			228,726
Reserves as a %			14.66%			17.90%			10.05%

# Where is the money spent?

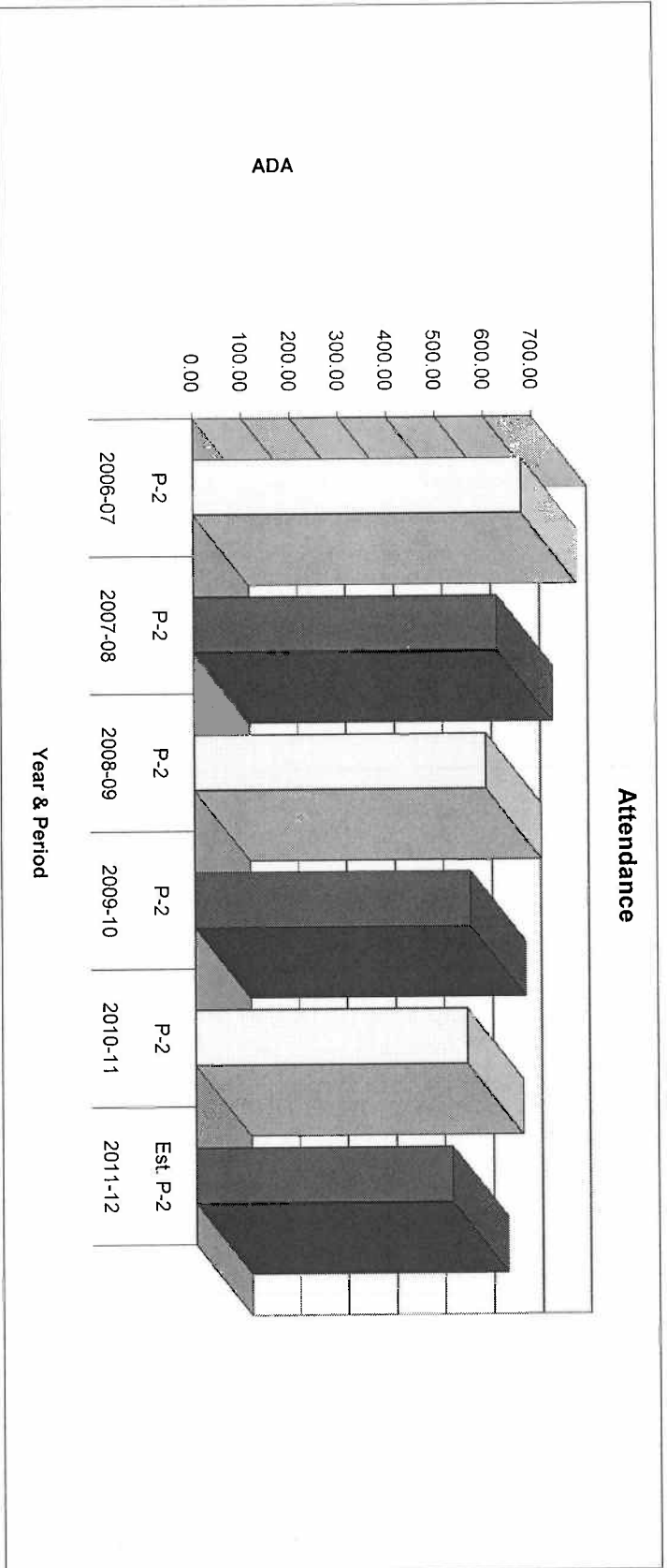


## 2011-12 Original Budget

Certificated/Classified Salaries and Benefits	4,320,979	75.42%
Materials and Supplies	319,513	5.58%
Other Operating Expense	635,560	11.09%
Capital Outlay	3,500	0.06%
Other Outgo	253,108	4.42%
Transfers In/Out & Sources/Uses	196,569	3.43%
<b>Total</b>	<b>5,729,229</b>	<b>100.00%</b>

**P-2 ADA (Does not include charter school)**

2006-07 P-2	2007-08 P-2	2008-09 P-2	2009-10 P-2	2010-11 P-2	2011-12 Est. P-2
677.79	626.29	601.19	568.16	560.80	529.25

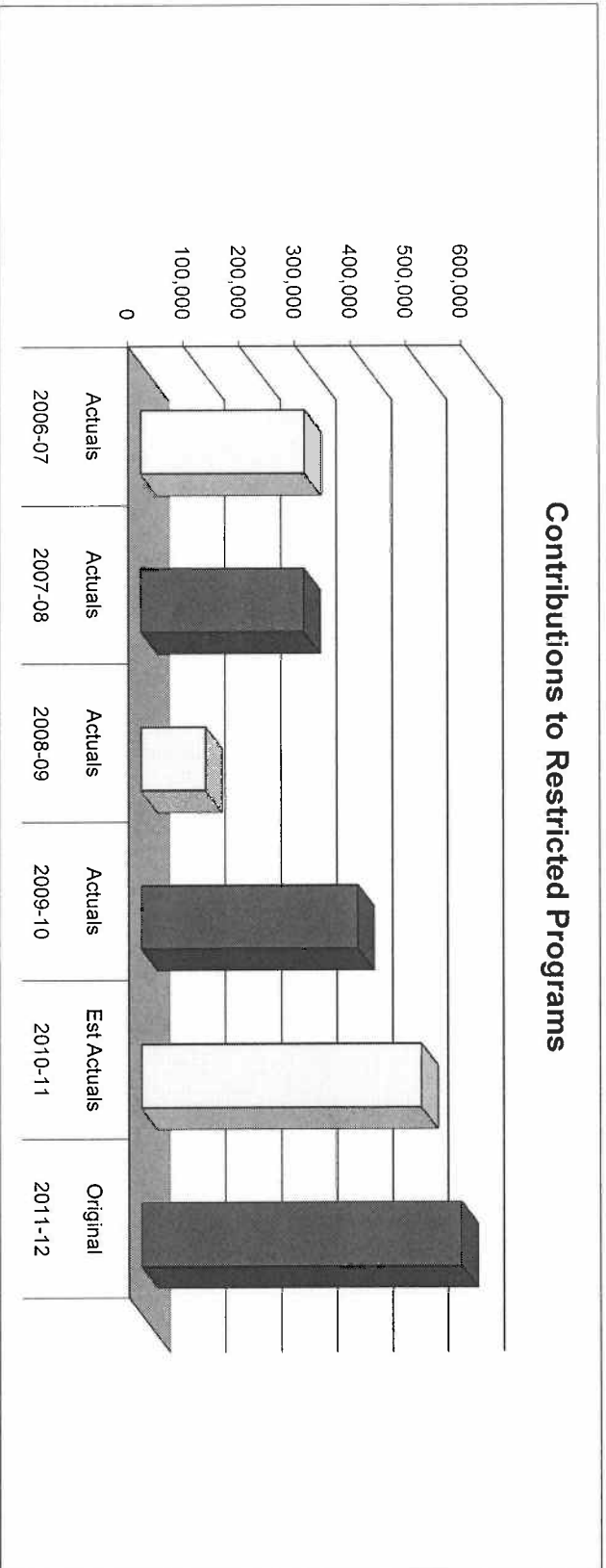


ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.



### Contributions to Restricted Programs

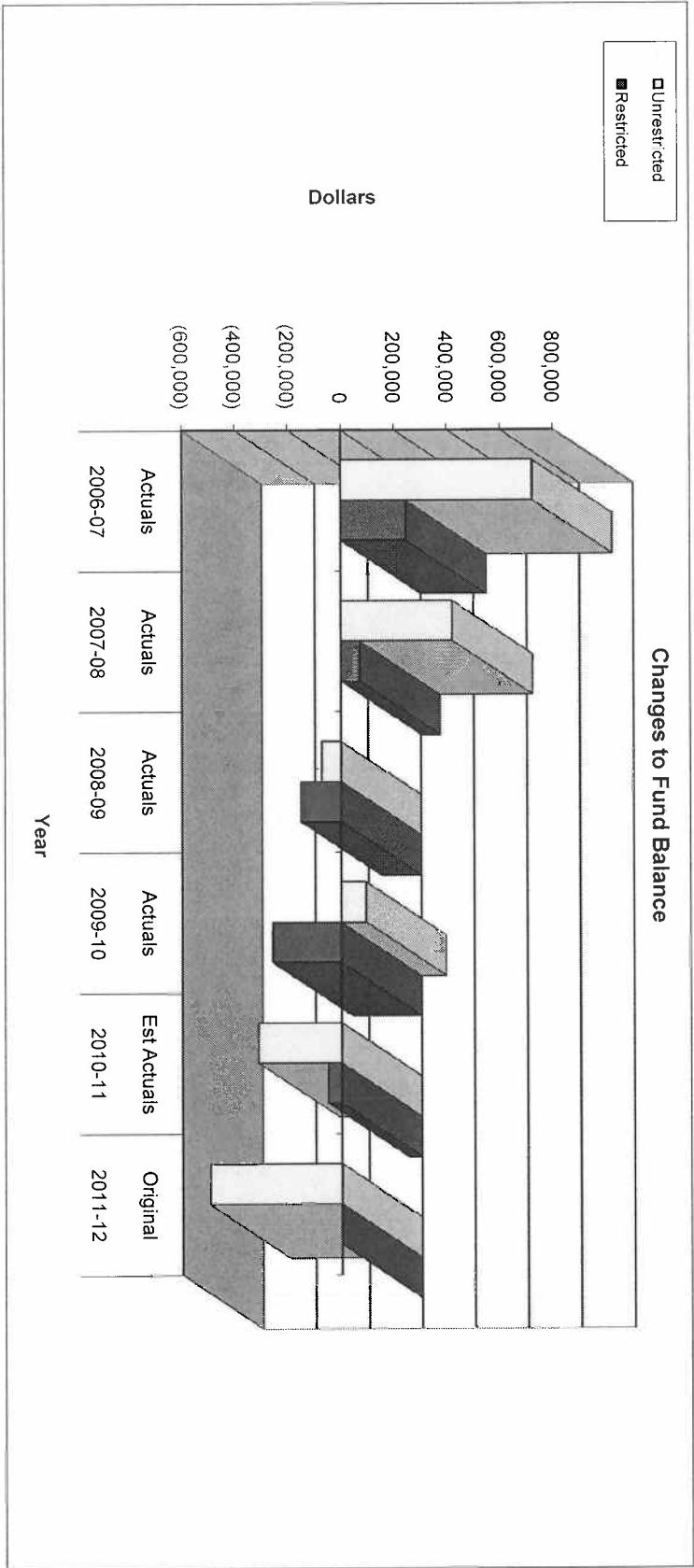
	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals	2010-11 Est Actuals	2011-12 Original
Contribution	295,033	293,317	116,737	389,206	503,815	575,832



Contributions to Restricted programs drain the Unrestricted side of the budget. Unfortunately, Special Education and Transportation always need contributions. However, other restricted programs should strive to be self supporting.

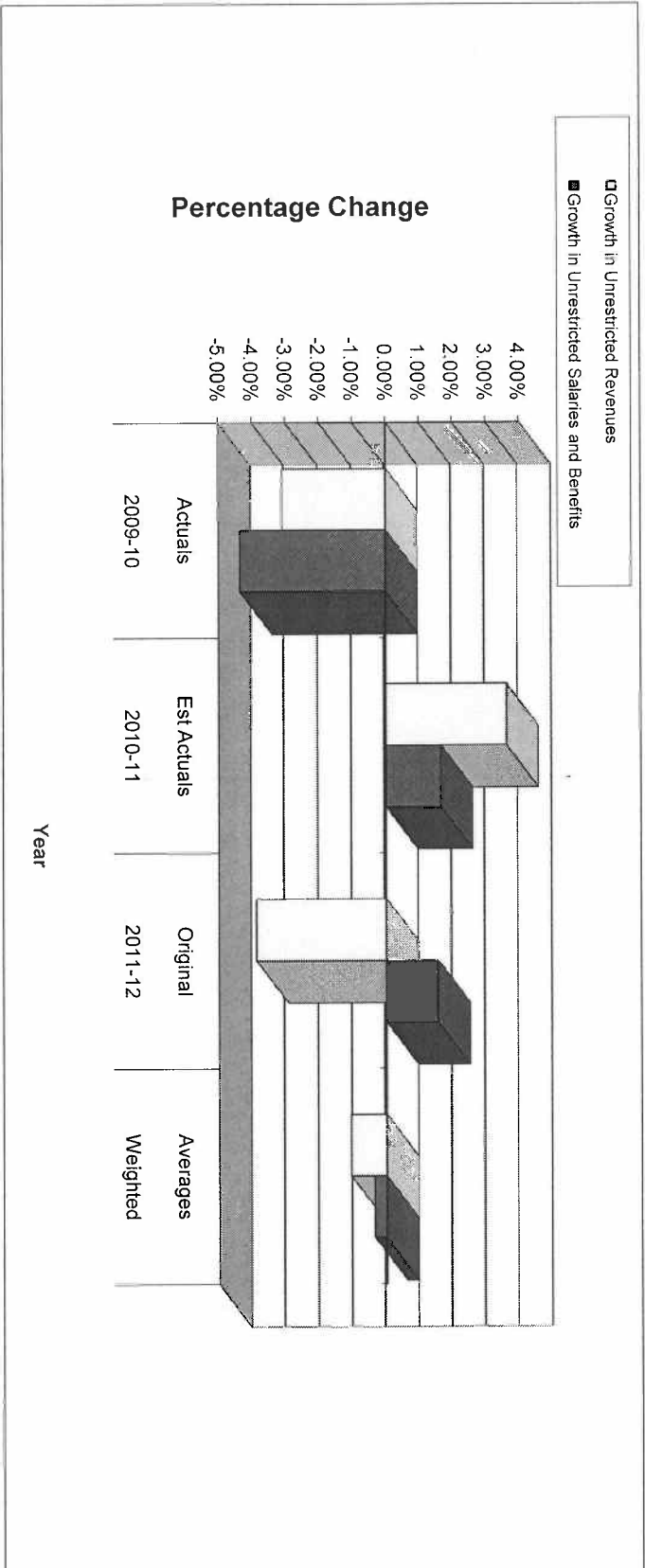
Changes to Fund Balance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Unrestricted	720,623	419,535	(71,529)	92,651	(311,645)	(493,549)
Restricted	245,349	71,730	(151,640)	(259,021)	(50,632)	2



## Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

	2008-09	2009-10	2010-11	2011-12	Weighted
Unrestricted Revenues	4,719,563	4,573,357	4,738,689	4,555,193	
Unrestricted Salaries and Benefits	3,570,871	3,415,571	3,472,150	3,526,152	
Growth in Revenues between years		-3.10%	3.62%	-3.87%	-1.06%
Growth in Salaries/Benefits between years		-4.35%	1.66%	1.56%	-0.35%

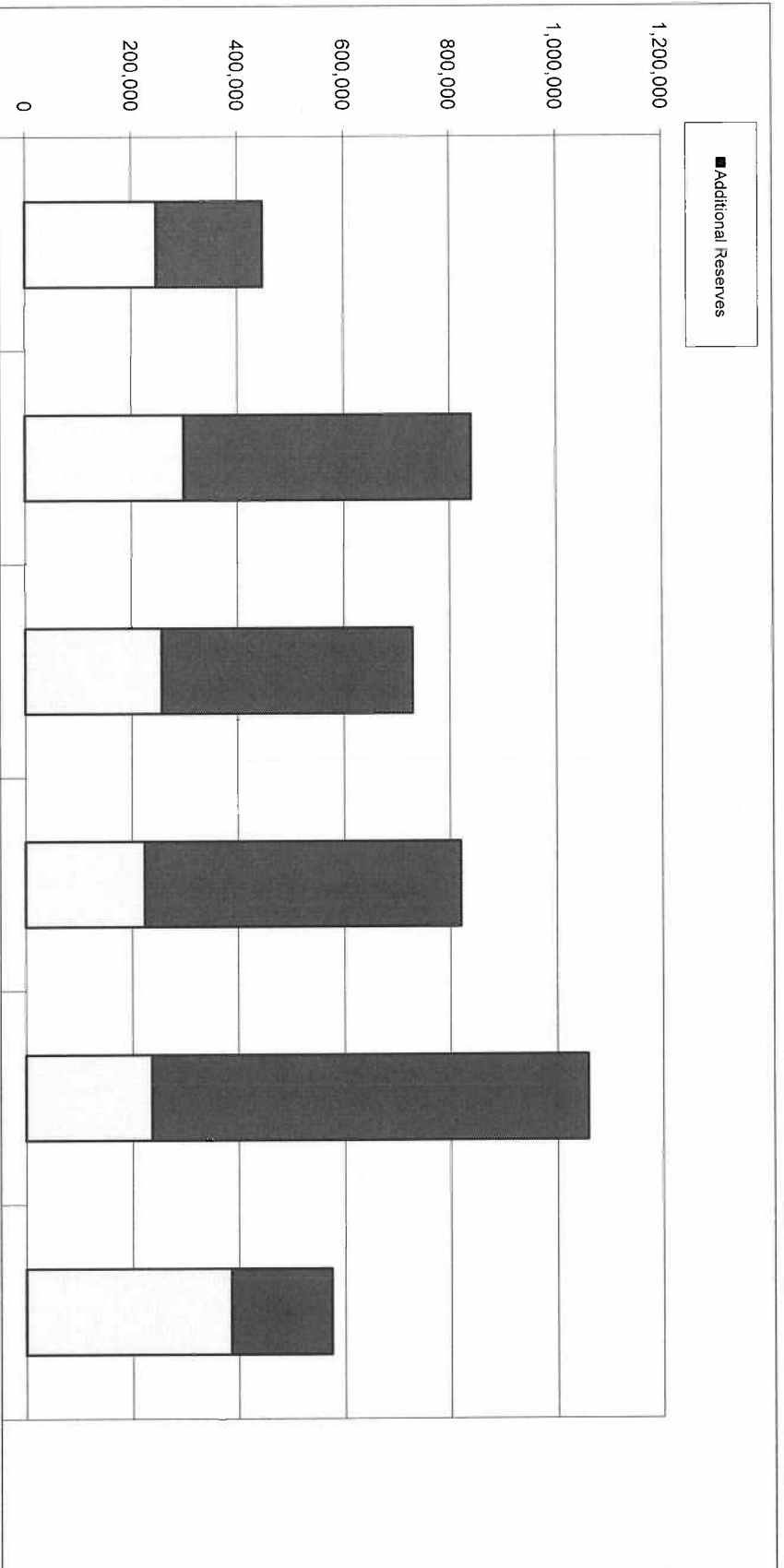


Unrestricted Salaries and Benefits should not grow faster than Unrestricted revenues unless the District Board conscientiously changes the priorities of the district.



## Reserves Above Requirement

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Required Reserves	Actuals 247,284	Actuals 298,448	Actuals 256,450	Actuals 223,762	Est Actuals 236,575	Original 385,858
Additional Reserves	200,245	542,143	473,672	596,090	821,856	189,024
<b>Total</b>	<b>447,529</b>	<b>840,591</b>	<b>730,122</b>	<b>819,851</b>	<b>1,058,431</b>	<b>574,883</b>



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.