

BUTTE COUNTY

OFFICE OF EDUCATION

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April 16, 2012

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

Subject: Second Interim Budget

Dear Mrs. Sheppard:

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 2011-12. 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 reflect the loss of \$13 per Average Daily Attendance (ADA) for revenue limit and the increase in the deficit factor for the loss of transportation revenue. These reductions were enacted as a result of a shortfall in revenue at the state level. Flexibility provisions are included and other revenues and expenditures have been adjusted for carryover and current staffing needs.

Assumptions used for the Multi-Year Projection (MYP) reflect the Governor's tax initiative approved by voters in November, 2012. ADA is projected to decrease in future years consistent with historical trend. The district assumes an on-going loss in Necessary Small School (NSS) funding related to dropping a tier due to decreased ADA. The district also projects an ongoing loss of revenue and corresponding expenditures with the removal of the Tire Derived Product (TDP) Bark Grant in the amount of \$136,000.

We note projected unrestricted deficit spending in excess of \$340,000 for fiscal years 2012-13 and 2013-14. It is difficult to reduce deficit spending when revenues continue to decrease. BUSD is able to meet the minimum reserve requirement of 4% each year, although the Special Reserve for Non-Capital Outlay Fund must be utilized in 2013-14 to meet this requirement.

A Cash Flow Projection and assumptions are included with the Second Interim Budget. Major assumptions provided are reasonable. BCOE notes a projected General Fund cash balance of \$922,602 in June, 2012.

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2011-12 Second Interim Budget
Page Two

A major premise of the Governor's 2012-13 Budget is the passage of the tax initiative in November. This level of uncertainty and the timing of the election make it very difficult for local education agencies to plan for the next budget year. BUSD has chosen to project voter approval of this tax initiative. If the tax initiative is not approved the district's plan to address trigger cuts to education funding is to utilize reserves in other funds.

BCOE thanks the board for their leadership. Educating students continues to be a priority at Biggs Unified School District. The attached analysis is provided for your information. If you would like additional information or analysis, please contact me at (530)532-5617.

Sincerely,



Lisa A. Anderson
Director, Fiscal Services

tp
FS-1112-063

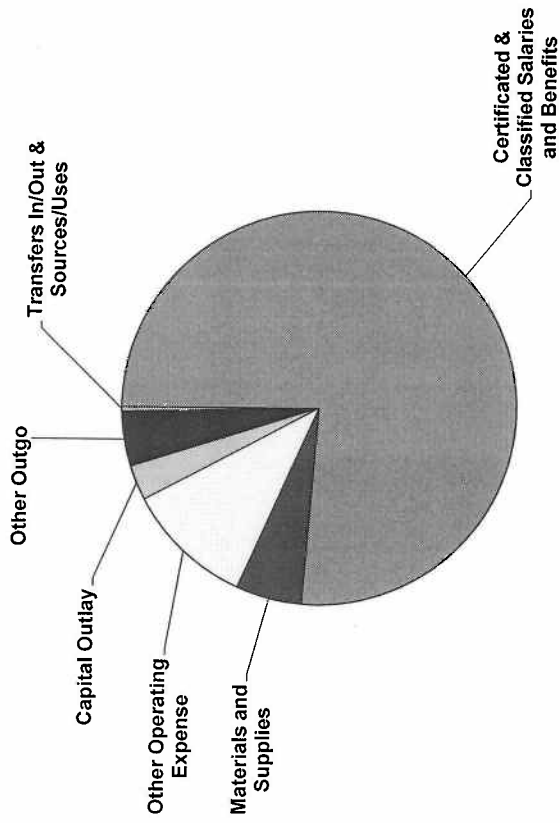
cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Don McNelis, Butte County Superintendent of Schools
Kevin Bultema, Assistant Superintendent of Administrative Services
Adrian Barron, Financial Analyst

Attachments

AB 1200 Data Analysis - General Fund

Biggs Unified	2009-10 Actuals			2010-11 Actuals			2011-12 Second Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	1,871,066		1,871,066	1,969,838	0	1,969,838	1,813,547	0	1,813,547
State Aid - Prior Year	(98,546)		(98,546)	2,984		2,984	0		0
Charter Aid	0		0	0		0	0		0
Local Taxes	1,673,309		1,673,309	1,682,283	0	1,682,283	1,652,098	0	1,652,098
PERS Income	22,348		22,348	13,809		13,809	10,605		10,605
Charter In-Lieu	(17,225)	0	(17,225)	(12,010)	0	(12,010)	(3,296)	0	(3,296)
Total Revenue Limit	3,450,952	0	3,450,952	3,656,904	0	3,656,904	3,472,954	0	3,472,954
Federal Revenue	197,039	442,132	639,172	48,077	374,951	423,028	33,575	292,660	326,235
Other State	674,203	412,180	1,086,383	864,235	423,304	1,287,539	711,790	388,066	1,099,856
Other Local	251,162	0	251,162	285,360	108	285,468	300,247	2,672	302,919
Total Revenues	4,573,357	854,312	5,427,669	4,854,577	798,363	5,652,940	4,518,566	683,398	5,201,964
Expenditures									
Certificated Salaries	1,782,932	549,607	2,332,539	1,805,530	362,562	2,168,092	1,807,849	261,642	2,069,491
Classified Salaries	750,999	311,818	1,062,817	714,655	301,026	1,015,681	714,197	323,983	1,038,180
Employee Benefits	881,640	261,983	1,143,624	858,000	195,869	1,053,869	954,687	183,640	1,138,327
Total Salaries & Benefits	3,415,571	1,123,409	4,538,980	3,378,185	859,457	4,237,642	3,476,733	769,265	4,245,998
Books and Supplies	200,687	107,156	307,843	159,397	102,972	262,369	163,075	139,072	302,147
Other Operating Expense	504,793	36,874	541,667	609,872	68,196	678,068	543,586	42,760	586,346
Capital Outlay	0	17,808	17,808	407,016	25,091	432,107	160,821	0	160,821
Other Outgo	0	165,575	165,575	11,101	182,506	193,607	11,560	238,935	250,485
Direct support/Indirect Costs	(64,187)	51,718	(12,469)	(58,839)	46,882	(11,957)	(68,330)	57,256	(11,074)
Total Expenditures	4,056,865	1,502,539	5,559,404	4,506,732	1,285,105	5,791,837	4,287,435	1,247,288	5,534,723
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	516,491	(648,227)	(131,735)	347,845	(486,742)	(138,897)	231,131	(563,890)	(332,759)
Transfers In	0	0	0	0		0	22,651		22,651
Transfers Out	34,634	0	34,634	195,941		195,941	0		0
Other Sources	0		0	420,000		420,000	0		0
Other Uses	0		0	12600		12,600	0		0
Contributions to Rest. Program	(389,206)	389,206	0	(478,475)	478,475	0	(521,524)	521,524	0
Total Transfers and Other Uses	(423,840)	389,206	(34,634)	(267,016)	478,475	211,459	(498,873)	521,524	22,651
Total Outgo	4,480,705	1,113,333	5,594,038	4,773,748	806,630	5,580,378	4,786,308	725,764	5,512,072
Net Inc.(Dec.) to Fund Balance	92,651	(259,021)	(166,369)	80,829	(8,267)	72,562	(267,742)	(42,366)	(310,108)
Beginning Balance	808,718	216,052	1,024,770	901,369	50,634	952,003	1,075,048	42,367	1,117,415
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	1,075,048	42,367	1,117,415
Ending Balance	901,369	50,632	952,002	1,075,048	42,367	1,117,414	807,306	1	807,307
For Economic Uncertainties	223,762		223,762	240,015	0	240,015	378,521	0	378,521
Other Available Reserves	226,232		226,232	301,169	0	301,169	428,785	0	428,785
Dedicated reserves	451,376	50,632	502,008	533,863	42,367	576,230	0	1	1
Other Funds	369,858		369,858	373,841		373,841	381,841		381,841
Required Reserves - 4%	223,762		223,762			240,015			221,389
Reserves as a %			14.66%			16.40%			21.57%

Where is the money spent?

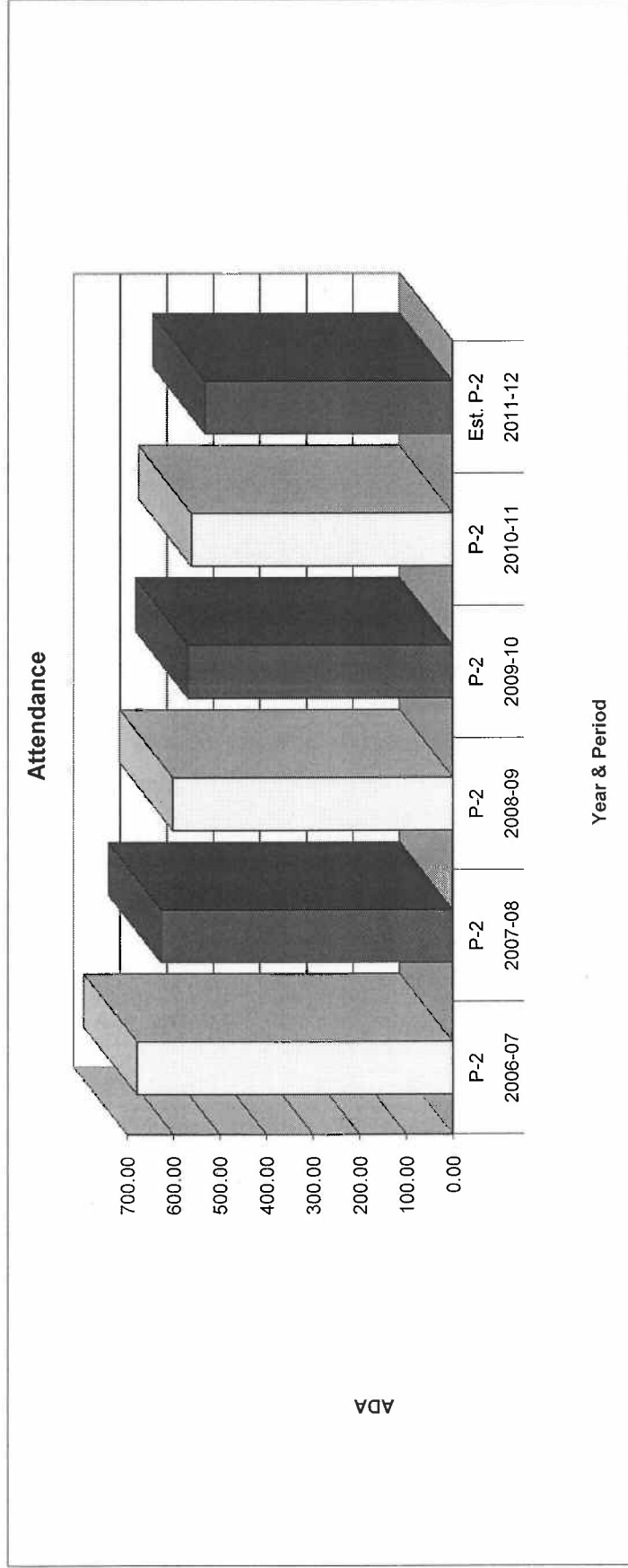


2011-12 Second Interim Budget

Certified/Classified Salaries and Benefits	4,245,998	76.88%
Materials and Supplies	302,147	5.47%
Other Operating Expense	586,346	10.62%
Capital Outlay	160,821	2.91%
Other Outgo	250,485	4.54%
Transfers In/Out & Sources/Uses	(22,651)	-0.41%
Total	5,523,146	100.00%

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	531.09



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.

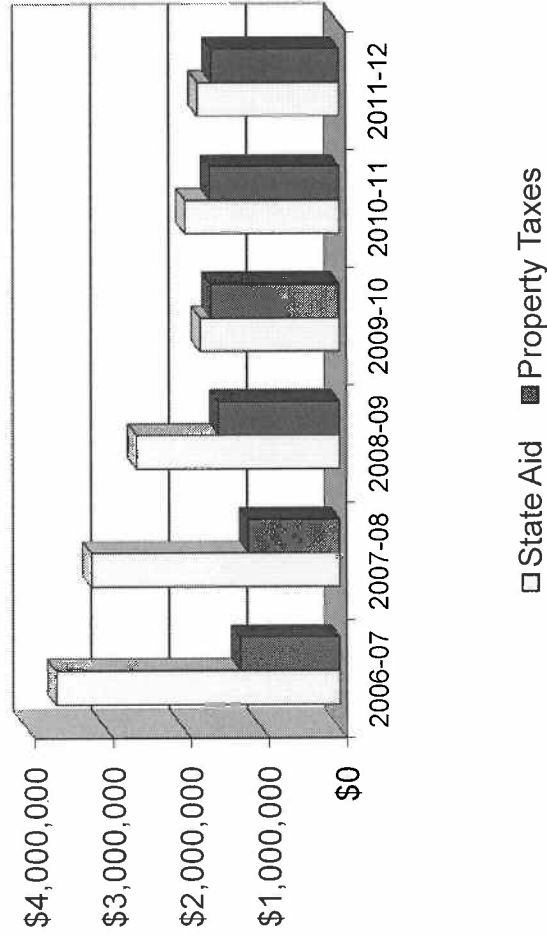
Revenue Limit Funding

	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Second Interim
State Aid	3,646,158	3,190,560	2,612,732	1,794,868	1,986,631	1,824,152
Property Taxes	1,286,792	1,181,921	1,558,252	1,656,084	1,670,273	1,648,802
Total	4,932,951	4,372,481	4,170,984	3,450,952	3,656,904	3,472,954

Percentages

State Aid	74%	73%	63%	52%	54%	53%
Property Taxes	26%	27%	37%	48%	46%	47%

Revenue Limit Funding



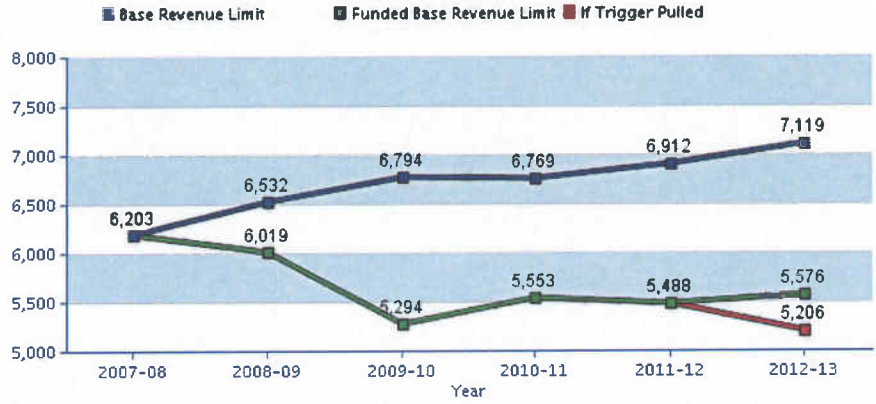
This graph illustrates the relationship between state aid and property taxes. A district with a higher state aid percentage will experience more volatility in the General Fund cash flow, due to the Principal Apportionment deferrals imposed by the State of California.

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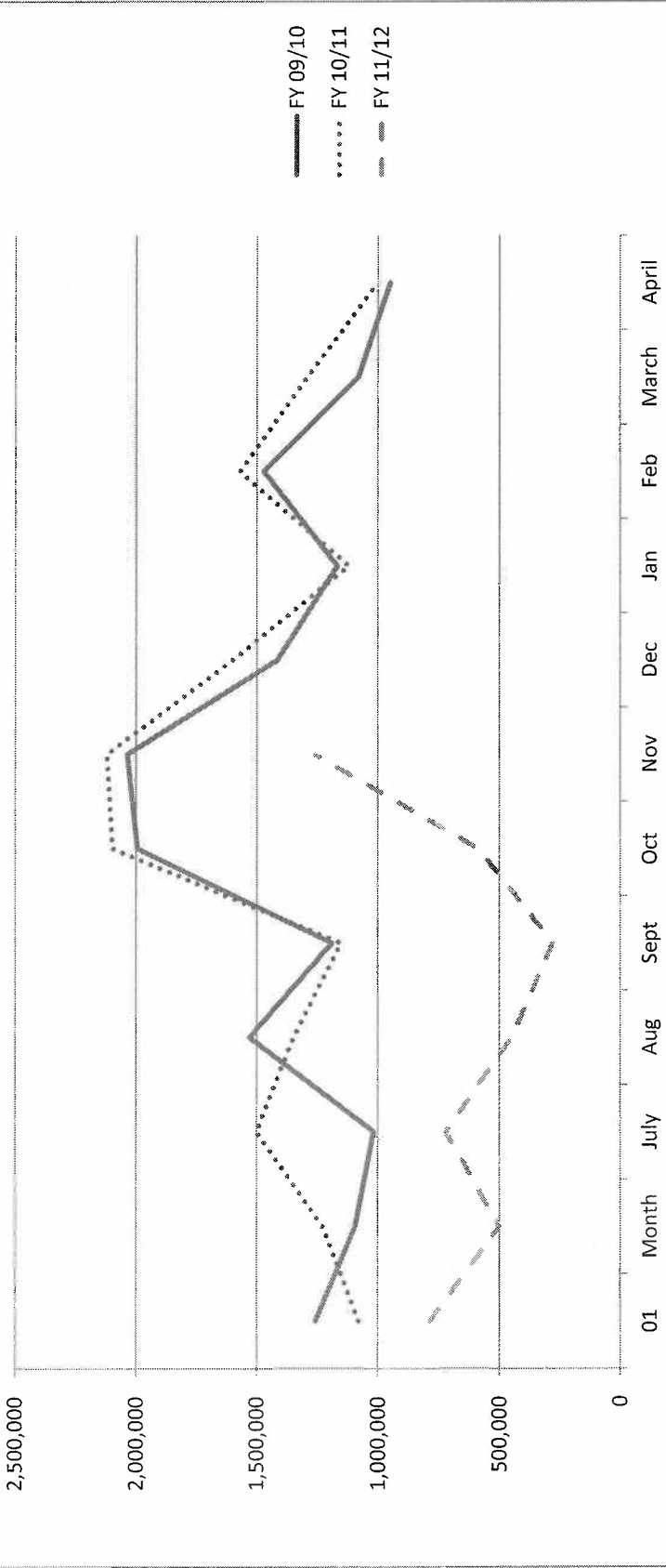
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Base Revenue Limit Calculator

Base Revenue Limit History



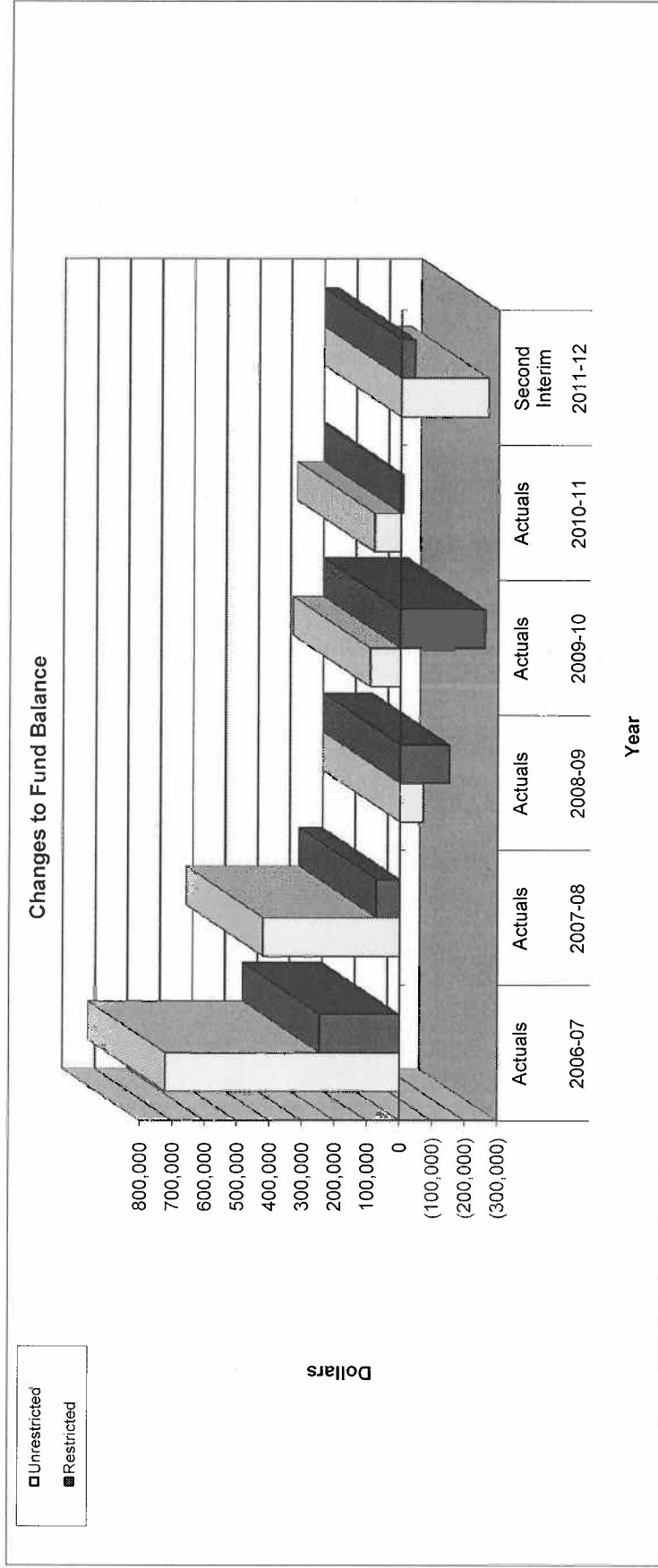
Cash Balance - General Fund



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.

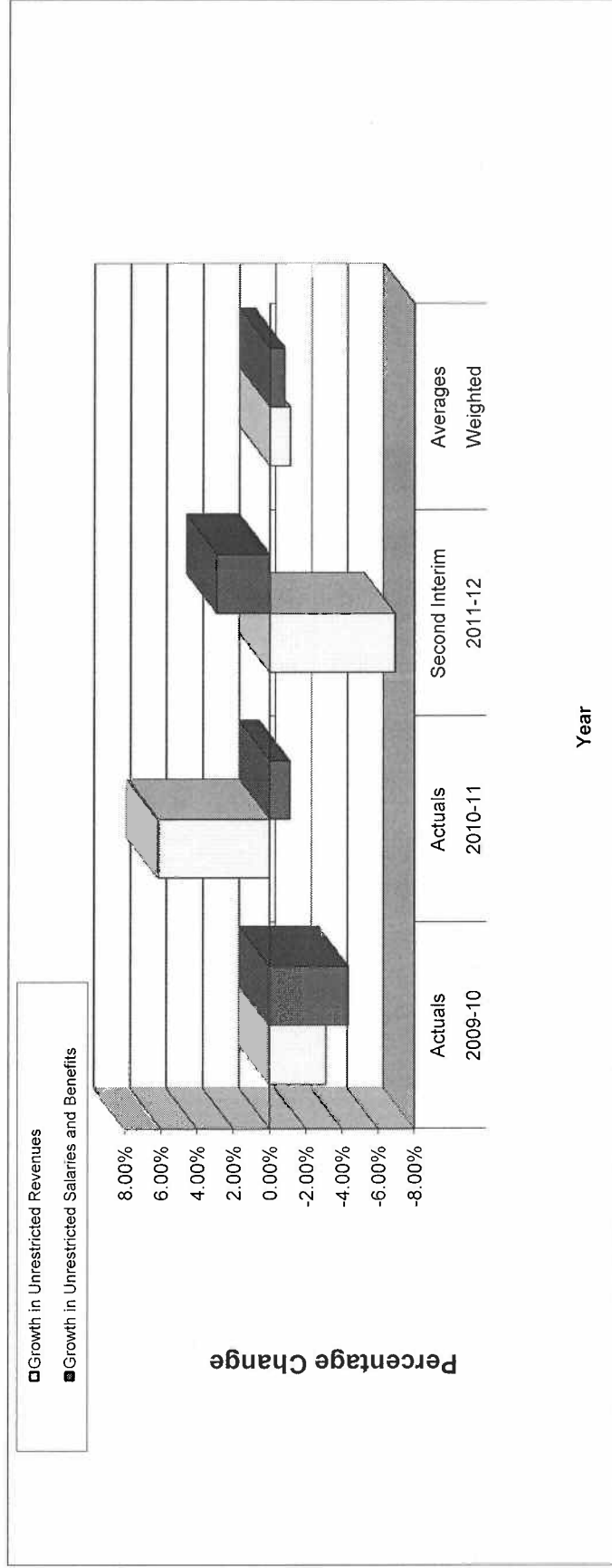
Changes to Fund Balance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Unrestricted	720,623	419,535	(71,529)	92,651	80,829	(267,742)
Restricted	245,349	71,730	(151,640)	(259,021)	(8,267)	(42,366)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

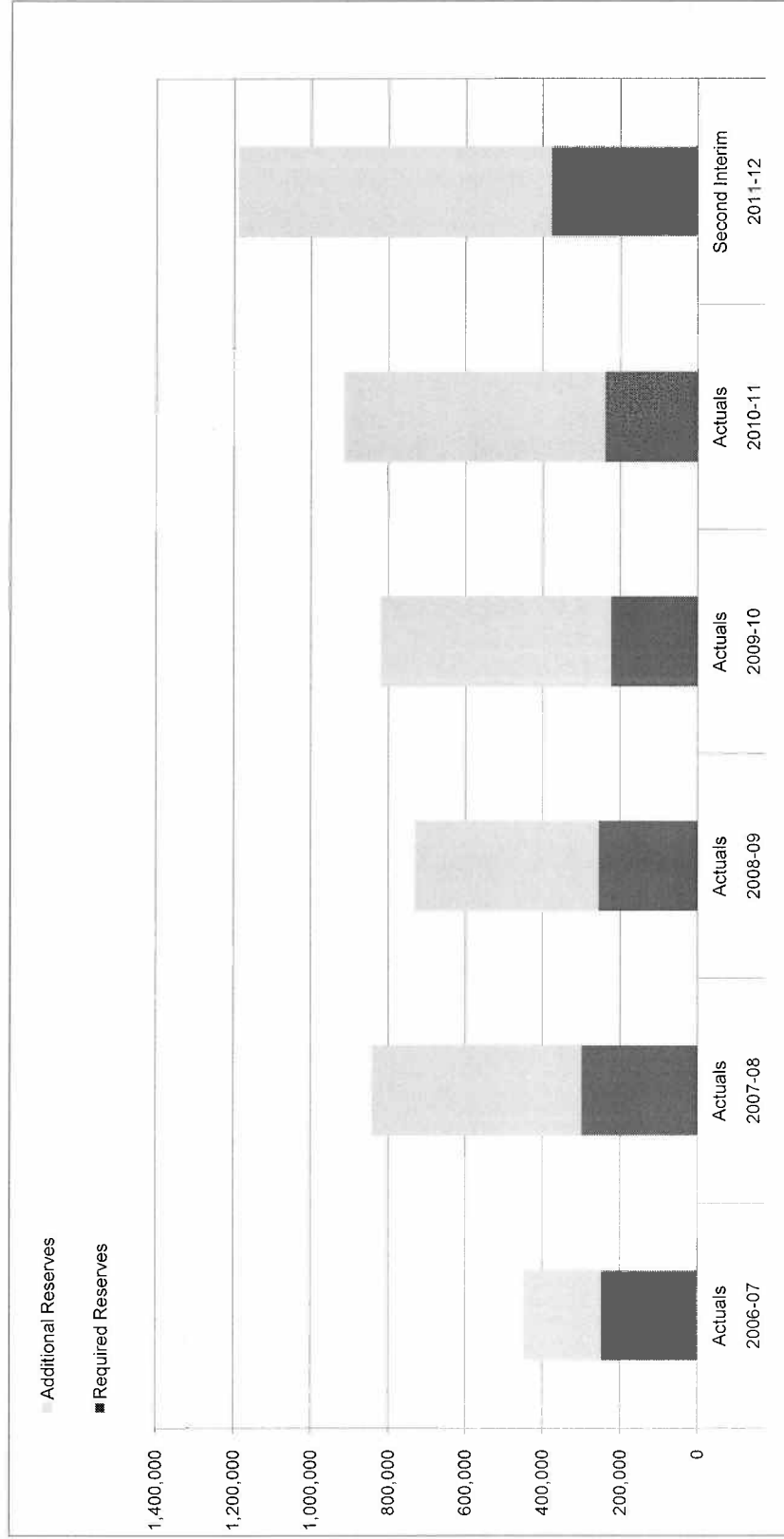
	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Second Interim	Weighted Averages
Unrestricted Revenues	4,719,563	4,573,357	4,854,577	4,518,566	
Unrestricted Salaries and Benefits	3,570,871	3,415,571	3,378,185	3,476,733	
Growth in Revenues between years		-3.10%	6.15%	-6.92%	-1.12%
Growth in Salaries/Benefits between years		-4.35%	-1.09%	2.92%	-0.82%



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 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Second Interim
Required Reserves	247,284	298,448	256,450	223,762	240,015	378,521
Additional Reserves	200,245	542,143	473,672	596,090	675,010	810,626
Total	447,529	840,591	730,122	819,851	915,026	1,189,147



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.