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Employer

April 13, 2015

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

Subject: 2014-15 Second Interim Budget

Dear Mrs. Wheeler:

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 2014-15. BCOE concurs with the district's positive certification indicating financial obligations will be met in the current and subsequent two fiscal years.

Starting in 2013-14, the Governor's Proposed Local Control Funding Formula (LCFF) was put in place and the previous funding model (Revenue Limit) is now gone. This is a huge departure from the prior funding methodology that had been in place for over 30 years. The LCFF consolidates most funding streams into one lump sum with all districts in the state receiving the same base grant per child, based on grade level. This means that programs such as Class Size Reduction and Economic Impact Aid are no longer classified as Categorical funds and are incorporated into the base grant of the new formula. The LCFF also includes additional funds (Supplemental and Concentration) (S&C) for students who are either English language learners, receive free and reduced meals or are Foster Youth. Although there is some disparity between districts with different student makeups, it is generally accepted that this new formula will help districts and provide for additional resources for the future. Along with the additional funds that will come from the LCFF, there is also additional responsibility in the form of the Local Control Accountability Plan (LCAP). This new process is intended to allow all constituents, including teachers, principals, administrators, other school personnel, local bargaining units of the school district, parents, and pupils in developing a local control and accountability plan. The purpose of this plan is to set a path for the future and to insure that programmatic goals work hand in hand with the district's fiscal resources.

The assumptions used to build the Second Interim Budget and Multi-Year Projection (MYP) are reasonable. Average Daily Attendance (ADA) is based on prior year P-2 with future years reflecting flat ADA. Federal and state revenues are adjusted in subsequent years for one-time carryover and the loss of Forest Reserve funds. Expenditures in future years reflect step and column cost increases as well as increases to STRS and PERS contributions. 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 Second Interim Budget. Major assumptions provided are reasonable. Cash preservation should remain a focus with the administration, although most up to date information indicates that the Governor will be eliminating any remaining cash deferrals in the current year. BCOE notes a projected General Fund cash balance of \$1,011,122 in June, 2015.

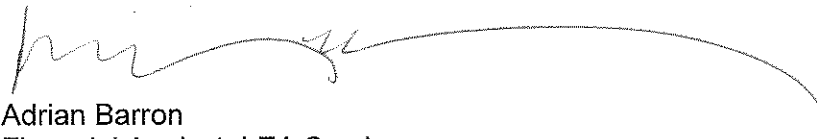
"WHERE CHILDREN COME FIRST"

April 13, 2015
2014-15 Second Interim
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There are a few areas of concern. The first is that the MYP indicates deficit spending of \$221k in 2014-15 and approximately \$240k in years 2015-16 and 2016-17. 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 has been given a new timeline that expires in 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 Capital Advisors 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 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) 532-5617.

Sincerely,



Adrian Barron
Financial Analyst, LEA Services

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FS-1415-084

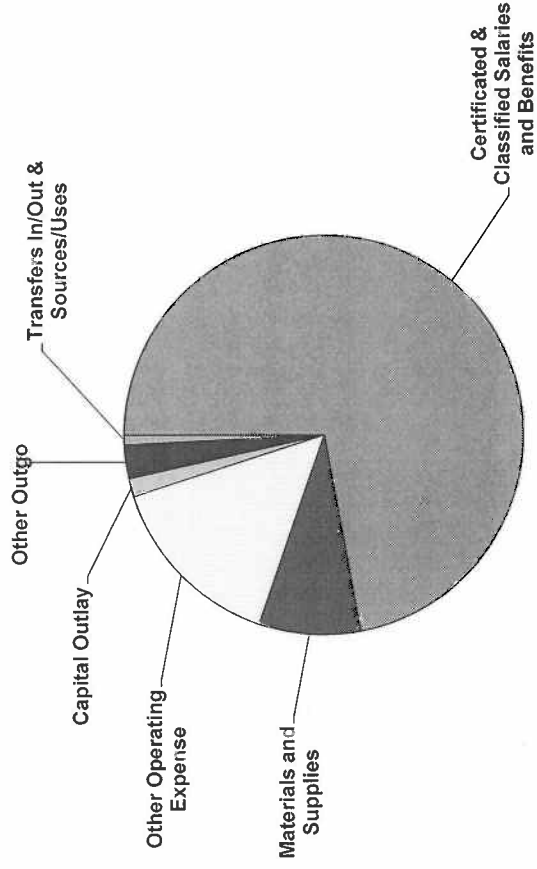
cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Tad Alexander, Assistant Superintendent of Administrative Services
Lisa Anderson, Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

	2012-13 Actuals			2013-14 Unaudited Actuals			2014-15 Second Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Biggs Unified									
Revenues									
State Aid	1,617,607	0	1,617,607	2,766,721	0	2,766,721	2,837,633	0	2,837,633
State Aid - Prior Year	68	0	68	0	0	0	0	0	0
Charter Aid (included in State Aid)	0	0	0	0	0	0	0	0	0
Local Taxes	1,892,186	0	1,892,186	1,930,053	0	1,930,053	1,913,331	0	1,913,331
PERS Income(ended 12/13)	7,693	0	7,693	(14,623)	0	(14,623)	(14,847)	0	(14,847)
Charter In-Lieu Taxes	(33,833)	0	(33,833)	4,682,151	0	4,682,151	4,736,117	0	4,736,117
Total LCFF Revenue	3,483,721	0	3,483,721	6,707	314,730	321,436	18,845	357,670	376,515
Federal Revenue	6,489	247,985	254,474	87,179	351,600	438,778	186,772	186,423	373,195
Other State	397,525	2,535	400,061	434,192	2,615	436,808	440,756	4,586	445,342
Total Revenues	4,569,888	645,985	5,215,873	5,210,228	668,944	5,879,173	5,382,490	548,679	5,931,169
Expenditures									
Certificated Salaries	1,897,734	223,735	2,121,468	1,970,384	202,233	2,172,616	2,025,485	172,984	2,198,469
Classified Salaries	677,118	320,082	997,199	908,450	169,289	1,077,738	946,278	155,061	1,101,339
Employee Benefits	914,912	159,257	1,074,169	977,981	96,708	1,074,689	1,054,494	97,203	1,151,697
Total Salaries & Benefits	3,489,763	703,074	4,192,837	3,856,814	468,230	4,325,044	4,026,257	425,248	4,451,505
Books and Supplies	202,934	99,420	302,354	319,018	67,335	386,353	371,916	133,511	505,427
Other Operating Expense	515,585	45,130	560,715	617,890	40,222	658,111	734,080	178,279	912,359
Capital Outlay	6,985	0	6,985	110,486	0	110,486	90,329	0	90,329
Other Outgo	7,662	119,095	126,756	431,550	117,814	549,364	0	169,827	169,827
Direct support/Indirect Costs	(63,774)	51,846	(11,928)	(51,016)	36,396	(14,620)	(57,993)	42,073	(15,920)
Total Expenditures	4,159,154	1,018,564	5,177,719	5,284,742	729,996	6,014,737	5,164,589	948,938	6,113,527
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	410,734	(372,580)	38,154	(74,513)	(61,051)	(135,564)	217,901	(400,259)	(182,358)
Transfers In	11,550	0	11,550	538,244	0	538,244	47,932	0	47,932
Transfers Out	32,415	0	32,415	50,955	0	50,955	0	0	0
Other Sources	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Contributions to Rest. Program	(374,005)	374,005	0	(212,506)	212,506	0	(241,212)	241,212	0
Total Transfers and Other Uses	(394,870)	374,005	(20,865)	274,783	212,506	487,289	(289,144)	241,212	(47,932)
Total Outgo	4,554,024	644,559	5,198,583	5,009,958	517,490	5,527,448	5,453,733	707,726	6,161,459
Net Inc.(Dec.) to Fund Balance	15,864	1,426	17,289	200,270	151,455	351,725	(71,243)	(159,047)	(230,290)
Beginning Balance	951,870	6,167	958,037	967,733	7,593	975,326	1,168,004	159,048	1,327,053
Audit Adjustments/Restatements	0	0	0	1	1	2	(1)	(1)	(1)
Adjusted Beginning Balance	951,870	6,167	958,037	967,734	7,594	975,328	1,168,004	159,047	1,327,052
Ending Balance	967,733	7,593	975,326	1,168,004	159,048	1,327,053	1,096,761	0	1,096,762
For Economic Uncertainties	208,405	0	208,405	(7,503)	0	(7,503)	0	0	0
Other Available Reserves	759,328	0	759,328	1,175,508	0	1,175,508	1,096,761	0	1,096,761
Dedicated reserves	0	7,593	7,593	0	159,048	159,048	0	0	0
Other Funds	375,285	0	375,285	380,373	0	380,373	382,753	0	382,753
Required Reserves - 4%			208,405			242,628			246,458
Reserves as a %			25.83%			28.01%			24.01%

Where is the money spent?

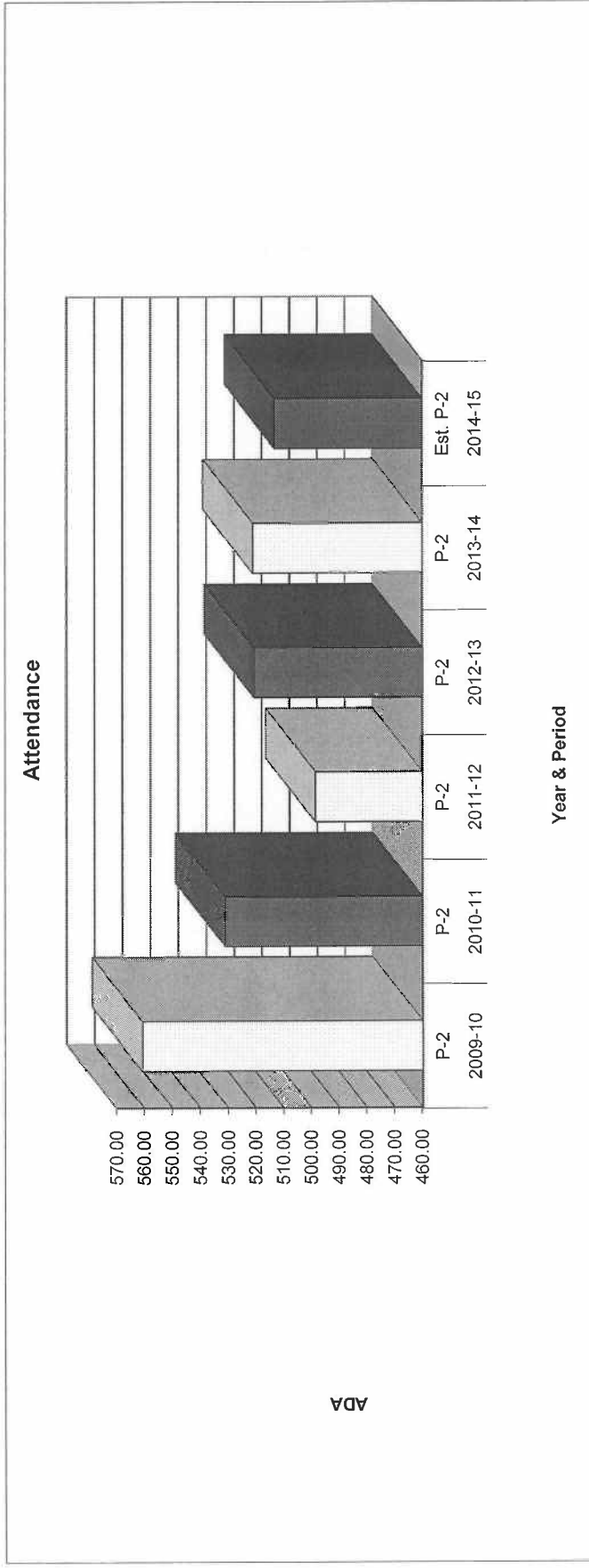


2014-15 Second Interim Budget

Certificated/Classified Salaries and Benefits	4,451,505	72.06%
Materials and Supplies	505,427	8.18%
Other Operating Expense	912,359	14.77%
Capital Outlay	90,329	1.46%
Other Outgo	169,827	2.75%
Transfers In/Out & Sources/Uses	47,932	0.78%
Total	6,177,379	100.00%

P-2 ADA (Does not include charter school)

Year	ADA	Year	ADA	Year	ADA	Year	ADA	Year	ADA
2009-10	560.80	2010-11	531.09	2011-12	498.50	2012-13	520.70	2013-14	521.16
P-2		P-2		P-2		P-2		P-2	
									Est. P-2
									513.36



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.

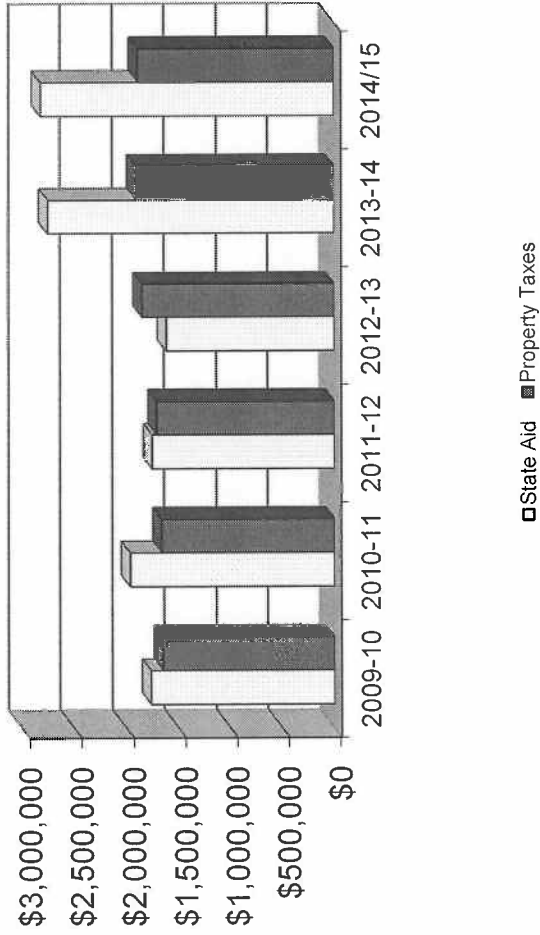
LCFF Revenue Funding

	2009-10 Actuals	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Unaudited Actuals	2014-15 Second Interim
State Aid	1,772,520	1,972,822	1,761,618	1,625,368	2,766,721	2,837,633
Property Taxes	1,656,084	1,670,273	1,719,990	1,858,353	1,915,430	1,898,484
Total	3,428,604	3,643,095	3,481,608	3,483,721	4,682,151	4,736,117

Percentages
 State Aid 52%
 Property Taxes 48%

54%
 46%
 51%
 49%
 47%
 53%
 59%
 41%
 60%
 40%

LCFF Revenue Funding



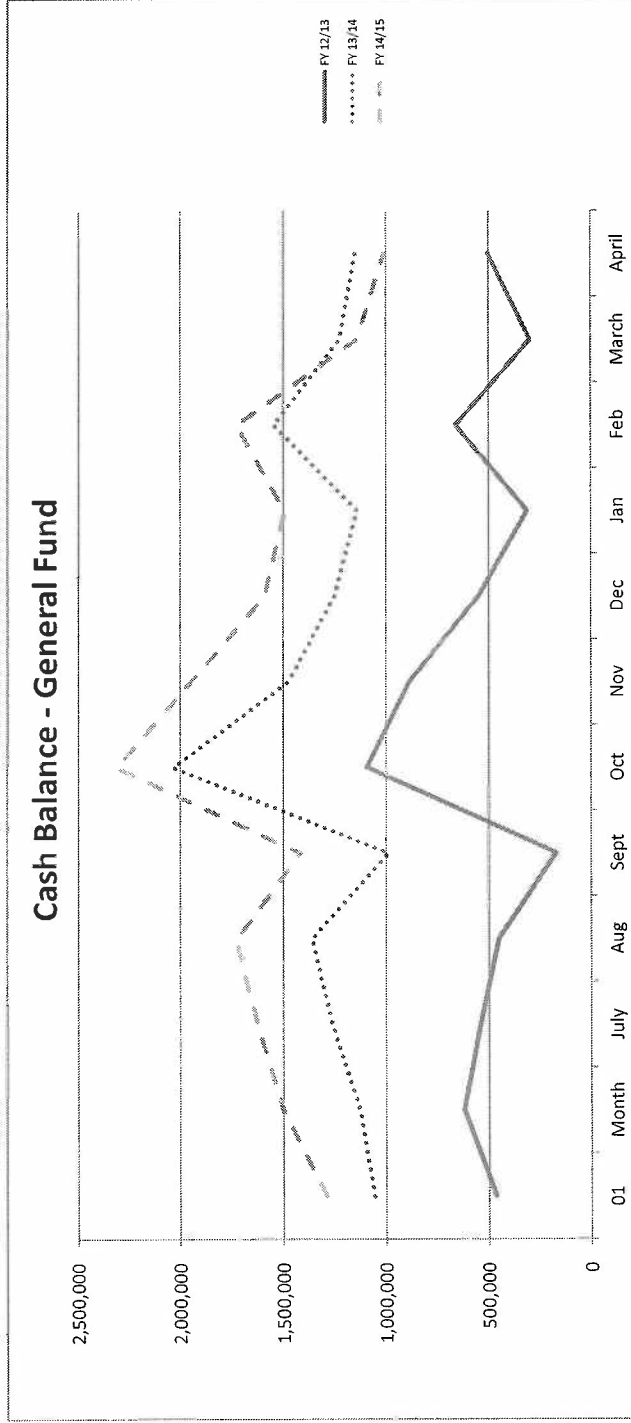
This graph illustrates the relationship between state aid and property taxes. A district with a higher state aid percentage will experience more volatility in the General Fund cash flow, due to the Principal Apportionment deferrals imposed by the State of California.

Cash Balance - General Fund

Actuals through January 2015 Estimated for 14-15

Fund 3520 01

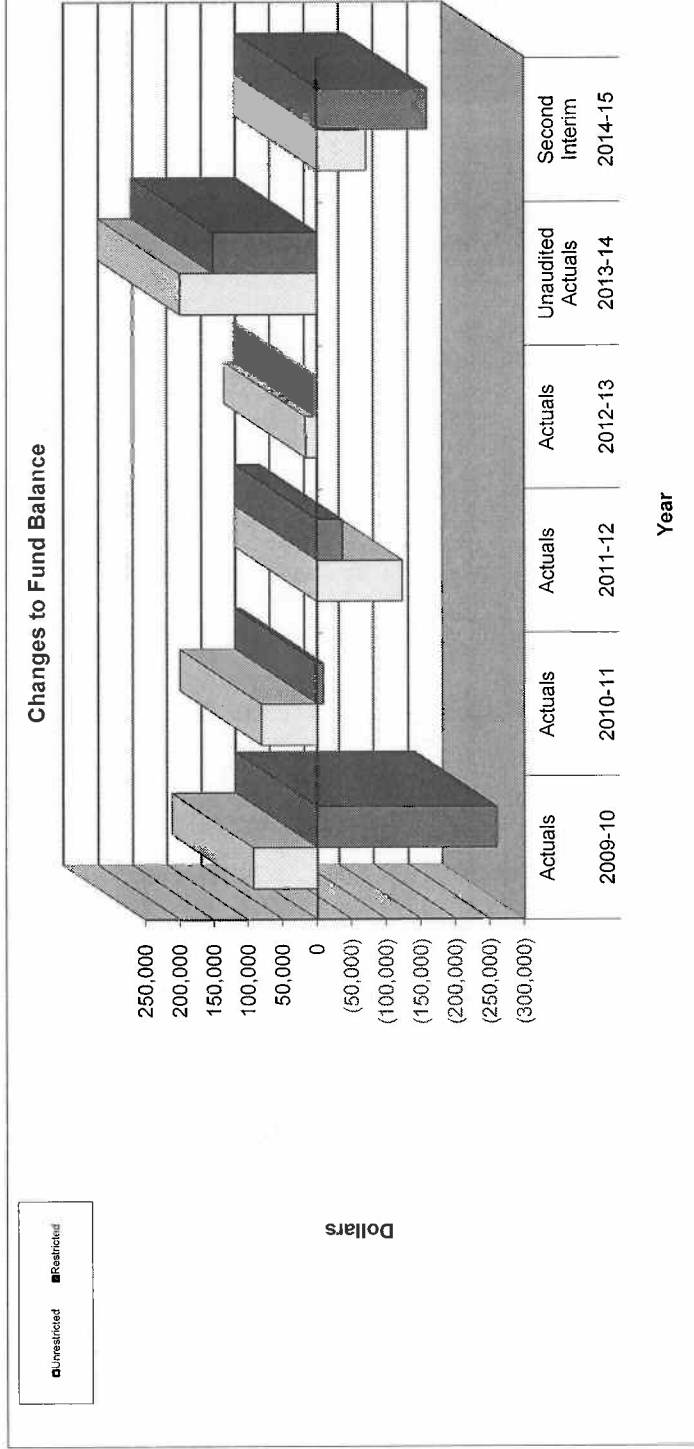
Month	FY 12/13	FY 13/14	FY 14/15
July	466,518	1,058,235	1,291,158
Aug	621,795	1,127,187	1,499,974
Sept	541,763	1,260,290	1,624,196
Oct	451,736	1,360,571	1,725,286
Nov	171,786	988,482	1,417,727
Dec	1,095,111	2,035,038	2,311,302
Jan	888,592	1,479,066	1,950,597
Feb	551,267	1,251,137	1,591,406
March	313,832	1,142,609	1,493,875
April	661,775	1,548,221	1,726,959
May	297,806	1,226,862	1,141,703
June	502,720	1,151,359	1,011,122



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.

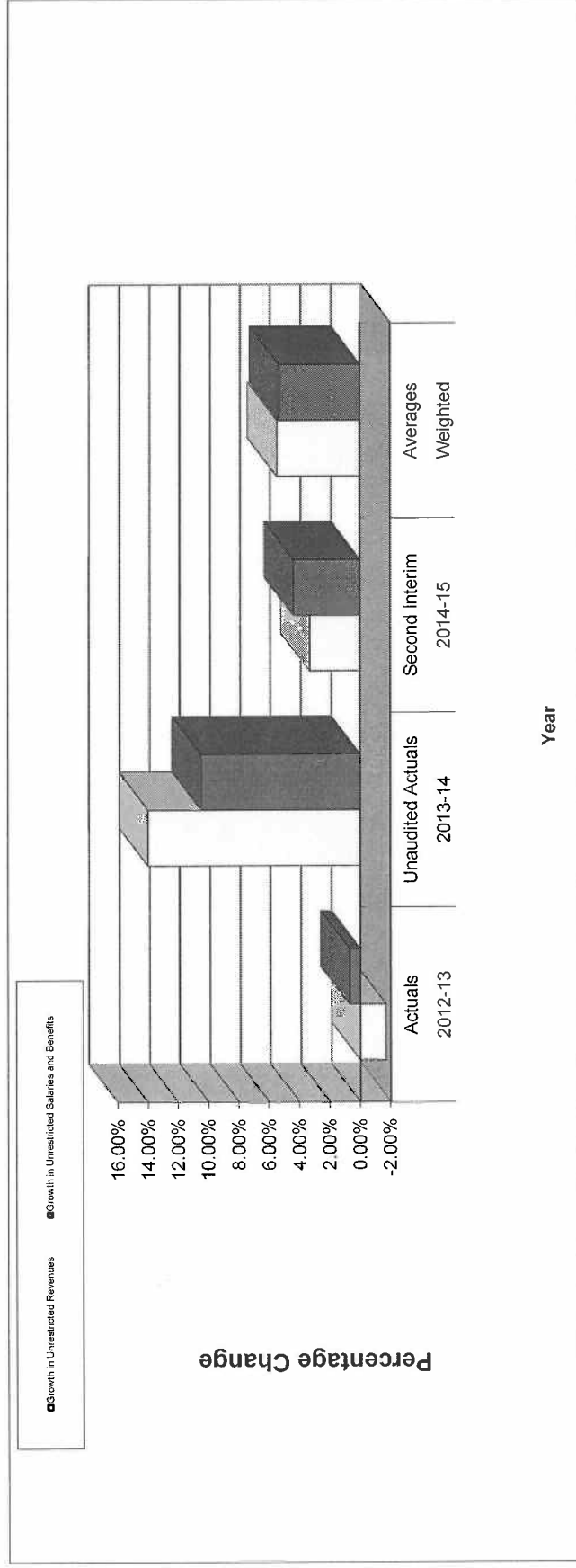
Changes to Fund Balance

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Unrestricted	Actuals 92,651	Actuals 80,829	Actuals (123,178)	Actuals 15,864	Unaudited Actuals 200,270	Second Interim (71,243)
Restricted	(259,021)	(8,267)	(36,200)	1,426	151,455	(159,047)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

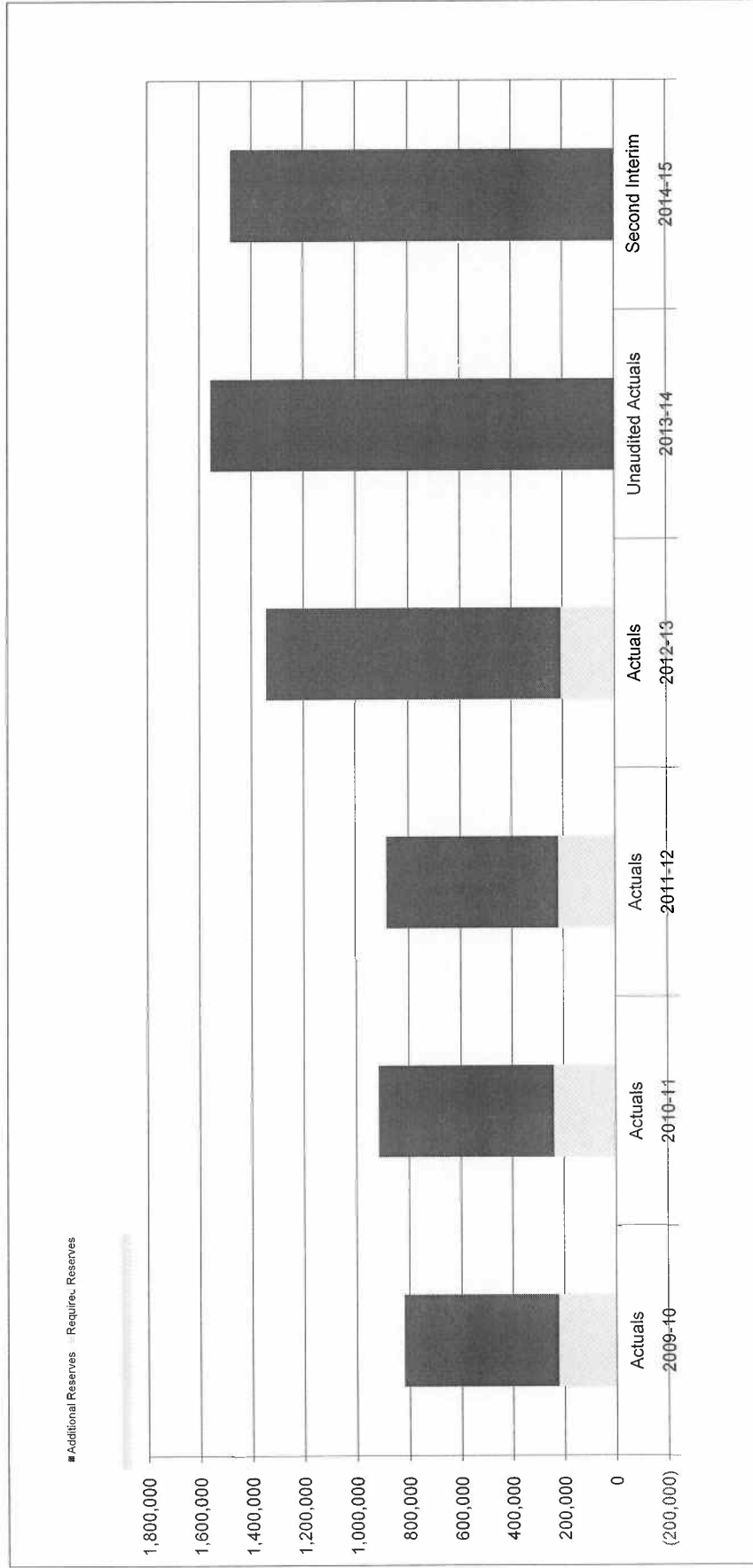
	2011-12 Actuals	2012-13 Actuals	2013-14 Unaudited Actuals	2014-15 Second Interim	Weighted Averages
Unrestricted Revenues	4,648,463	4,569,888	5,210,228	5,382,490	
Unrestricted Salaries and Benefits	3,465,388	3,489,763	3,856,814	4,026,257	0.748029
Growth in Revenues between years		-1.69%	14.01%	3.31%	5.48%
Growth in Salaries/Benefits between years		0.70%	10.52%	4.39%	5.34%



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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Required Reserves	223,762	240,015	220,954	208,405	(7,503)	0
Additional Reserves	596,090	675,010	662,547	1,134,613	1,555,881	1,479,515
Total	819,851	915,026	883,501	1,343,019	1,548,378	1,479,515



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.