



April 15, 2016

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

Subject: 2015-16 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 2015-16. 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. Funding for the current year is based on estimates for 2015-16. The ADA projections are dramatically higher than prior year P-2 ADA due to increased attendance created by the completion of a local subdivision. Federal revenues have increased in the current year as the district had carryover that needs to be spent by September 2015. Other state revenues have also gone up with inclusion of the one time Mandated Cost revenues. Other local revenues have gone down as the district owns a walnut orchard and the price of walnuts is greatly reduced versus prior year, leading to less revenue. Salaries and benefits reflect step and column cost increases for each fiscal year. In addition to these items, there are also new costs associated with the state mandated increase to PERS and STRS 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. The Governor has made elimination of cash deferrals a priority and at the time of this letter, 100% of all funds due should be received in the year they were intended. Even with this good news, cash preservation should be a focus for the administration as the state still has the ability to defer payments to local education agencies if the need arises. BCOE notes a projected General Fund cash balance of \$1.54 Million in June 2016.

There are a few areas of concern. The first is that the MYP indicates that even with the increase in projected ADA, there is budgeted deficit spending of \$156K in 2015-16 and another \$157K in the two out years. It should be noted that although the district is still budgeted to deficit spend, they have made large strides in reducing the deficit since their First Interim budget report. 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 was given a new timeline that expires in

"WHERE CHILDREN COME FIRST"

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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 a consultant 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-1516-055

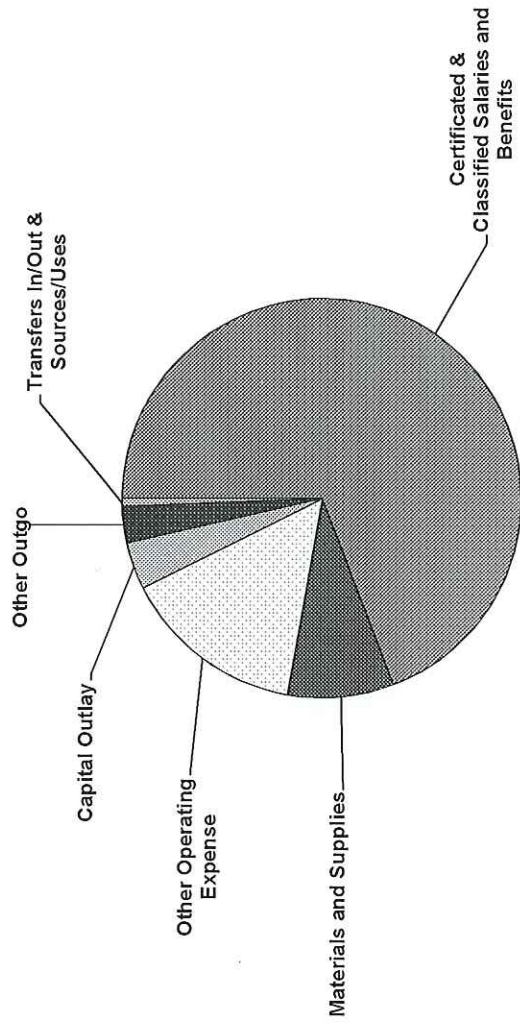
cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Tad Alexander, Assistant Superintendent of Administrative Services
Lisa Anderson, Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

	2013-14 Actuals			2014-15 Actuals			2015-16 Second Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Biggs Unified									
Revenues									
State Aid	2,766,721	0	2,766,721	2,827,239		2,827,239	3,283,135		3,283,135
State Aid - Prior Year		0	0	(23,632)		(23,632)	0		0
Charter Aid (included in State Aid)		0	0			0			0
Local Taxes	1,930,053	0	1,930,053	1,953,614		1,953,614	2,270,009		2,270,009
PERS Income(ended 12/13)		0	0			0			0
Charter In-Lieu Taxes	(14,623)	0	(14,623)	(3,787)		(3,787)	(3,987)		(3,987)
Total LCFF Revenue	4,682,151	0	4,682,151	4,753,434	0	4,753,434	5,549,157	0	5,549,157
Expenditures									
Federal Revenue	6,707	314,730	321,436	20,383	275,507	295,889	10,025	447,575	457,600
Other State	87,179	351,600	438,778	135,016	324,546	459,562	484,695	360,014	844,709
Other Local	434,192	2,615	436,808	503,280	20,426	523,705	231,279		231,279
Total Revenues	5,210,228	668,944	5,879,173	5,412,113	620,478	6,032,591	6,275,156	807,589	7,082,745
Expenditures									
Certificated Salaries	1,970,384	202,233	2,172,616	1,991,692	174,297	2,165,989	2,362,779	240,967	2,603,746
Classified Salaries	908,450	169,289	1,077,738	907,919	160,243	1,068,162	968,523	217,890	1,186,413
Employee Benefits	977,981	96,708	1,074,689	1,033,329	227,068	1,260,397	1,115,889	131,198	1,247,087
Total Salaries & Benefits	3,856,814	468,230	4,325,044	3,932,940	561,608	4,494,547	4,447,191	590,055	5,037,246
Books and Supplies	319,018	67,335	386,353	318,503	137,990	456,493	505,941	132,970	638,911
Other Operating Expense	617,890	40,222	658,111	603,657	38,467	642,123	785,435	288,385	1,073,820
Capital Outlay	110,486	0	110,486	27,629		27,629	276,312		276,312
Other Outgo	431,550	117,814	549,364	(48,655)	149,089	149,089	215,000	215,000	215,000
Direct support/Indirect Costs	(51,016)	36,396	(14,620)	(48,655)	35,390	(13,265)	(67,357)	51,437	(15,920)
Total Expenditures	5,284,742	729,996	6,014,737	4,834,073	922,543	5,756,616	5,947,522	1,277,847	7,225,369
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	(74,513)	(61,051)	(135,564)	578,040	(302,065)	275,975	327,634	(470,258)	(142,624)
Transfers In	538,244	0	538,244						0
Transfers Out	50,955	0	50,955	95,000		95,000	66,285		66,285
Other Sources	0	0	0			0			0
Other Uses	0	0	0			0			0
Contributions to Rest. Program	(212,506)	212,506	0	(195,362)	195,362	0	(417,913)	417,913	0
Total Transfers and Other Uses	274,783	212,506	487,289	(290,362)	195,362	(95,000)	(484,198)	417,913	(66,285)
Total Outgo	5,009,958	517,490	5,527,448	5,124,435	727,181	5,851,616	6,431,720	859,934	7,291,654
Net Inc.(Dec.) to Fund Balance	200,270	151,455	351,725	287,678	(106,703)	180,975	(156,564)	(52,345)	(208,909)
Beginning Balance	967,733	7,593	975,326	1,168,004	159,048	1,327,053	1,455,682	52,345	1,508,027
Audit Adjustments/Restatements	1	1	2	0	(1)	(1)	(1)	0	(1)
Adjusted Beginning Balance	967,734	7,594	975,328	1,168,004	159,047	1,327,052	1,455,681	52,345	1,508,026
Ending Balance	1,168,004	159,048	1,327,053	1,455,682	52,345	1,508,027	1,299,117	(0)	1,299,117
For Economic Uncertainties	(7,503)	0	(7,503)	76,724	0	76,724	195,523	0	195,523
Other Available Reserves	1,175,508	0	1,175,508	1,378,958	(0)	1,378,958	1,103,594	0	1,103,594
Dedicated reserves	0	159,048	159,048	0	52,345	52,345	0	(0)	(0)
Other Funds	380,373		380,373	383,805		383,805	387,005		387,005
Required Reserves -4%			242,628			234,065			291,666
Reserves as a %			28.01%			31.44%			23.12%

Where is the money spent?

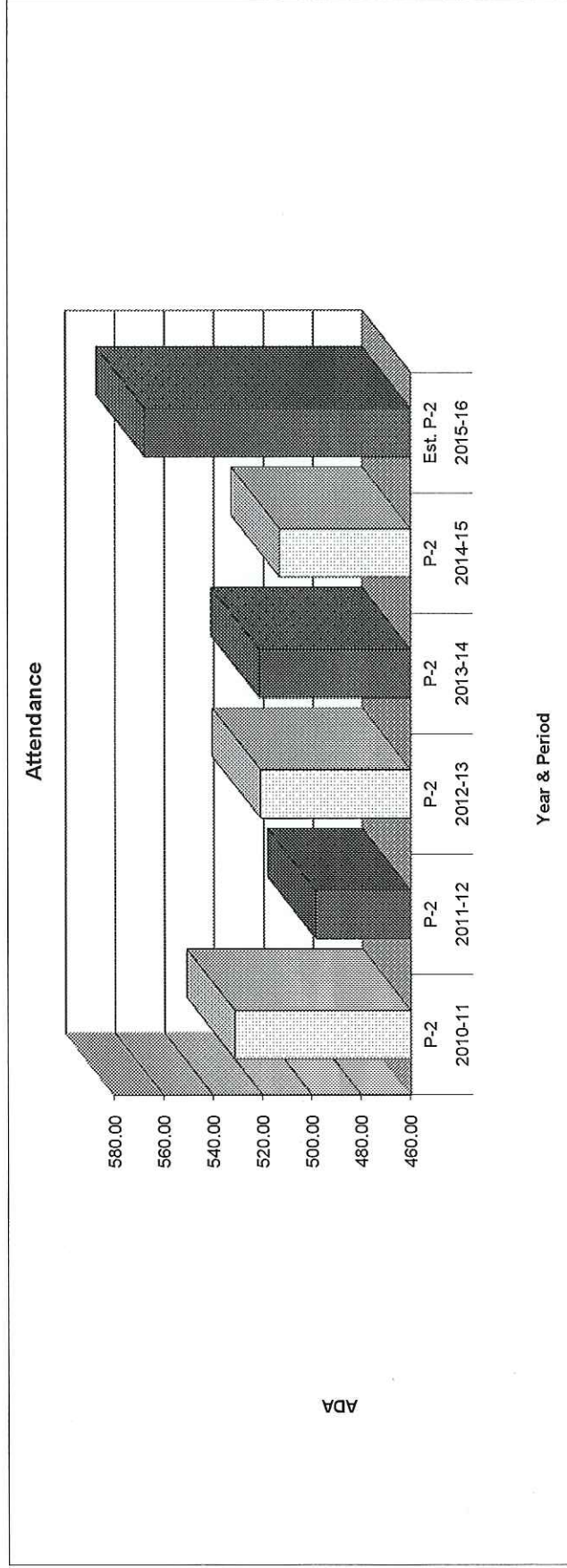


2015-16 Second Interim Budget

Certified/Classified Salaries and Benefits	5,037,246	69.08%
Materials and Supplies	638,911	8.76%
Other Operating Expense	1,073,820	14.73%
Capital Outlay	276,312	3.79%
Other Outgo	215,000	2.95%
Transfers In/Out & Sources/Uses	50,365	0.69%
Total	7,291,654	100.00%

P-2 ADA (Does not include charter school)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
P-2 ADA	531.09	498.50	520.70	521.16	512.99	567.43
	P-2	P-2	P-2	P-2	P-2	Est. P-2

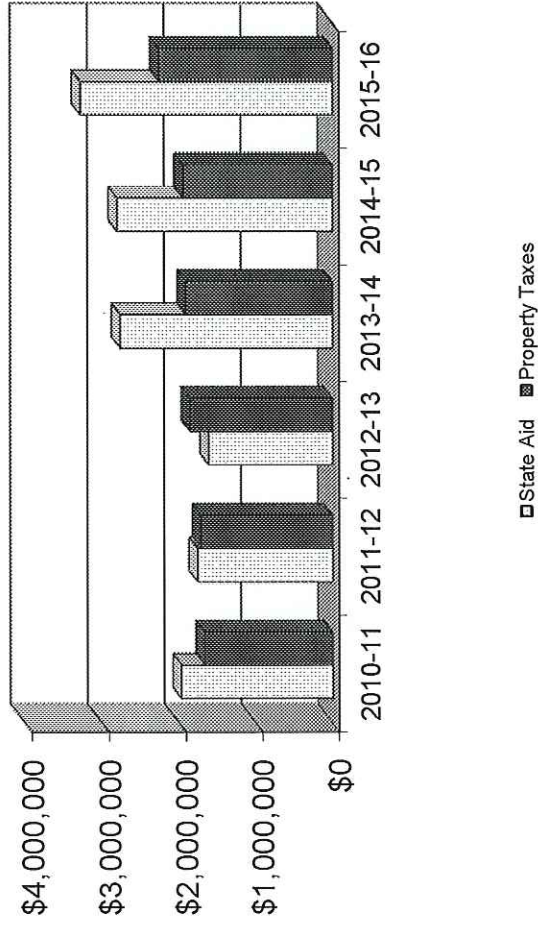


ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

LCFF Revenue Funding

	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 Second Interim
State Aid	1,972,822	1,761,618	1,617,675	2,766,721	2,803,607	3,283,135
Property Taxes	1,670,273	1,719,990	1,858,353	1,915,430	1,949,827	2,266,022
Total	3,643,095	3,481,608	3,476,028	4,682,151	4,753,434	5,549,157
Percentages						
State Aid	54%	51%	47%	59%	59%	59%
Property Taxes	46%	49%	53%	41%	41%	41%

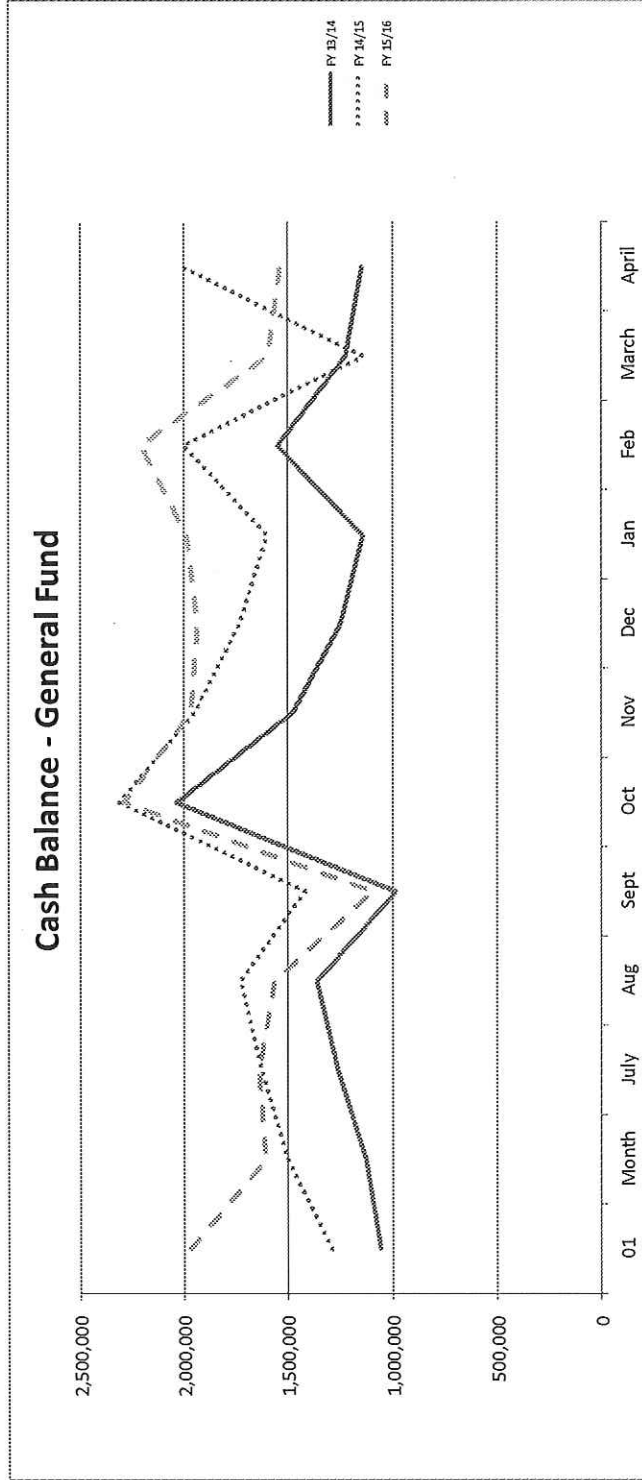
LCFF Revenue Funding



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, Estimated for 15-16
Fund 3520 **01**

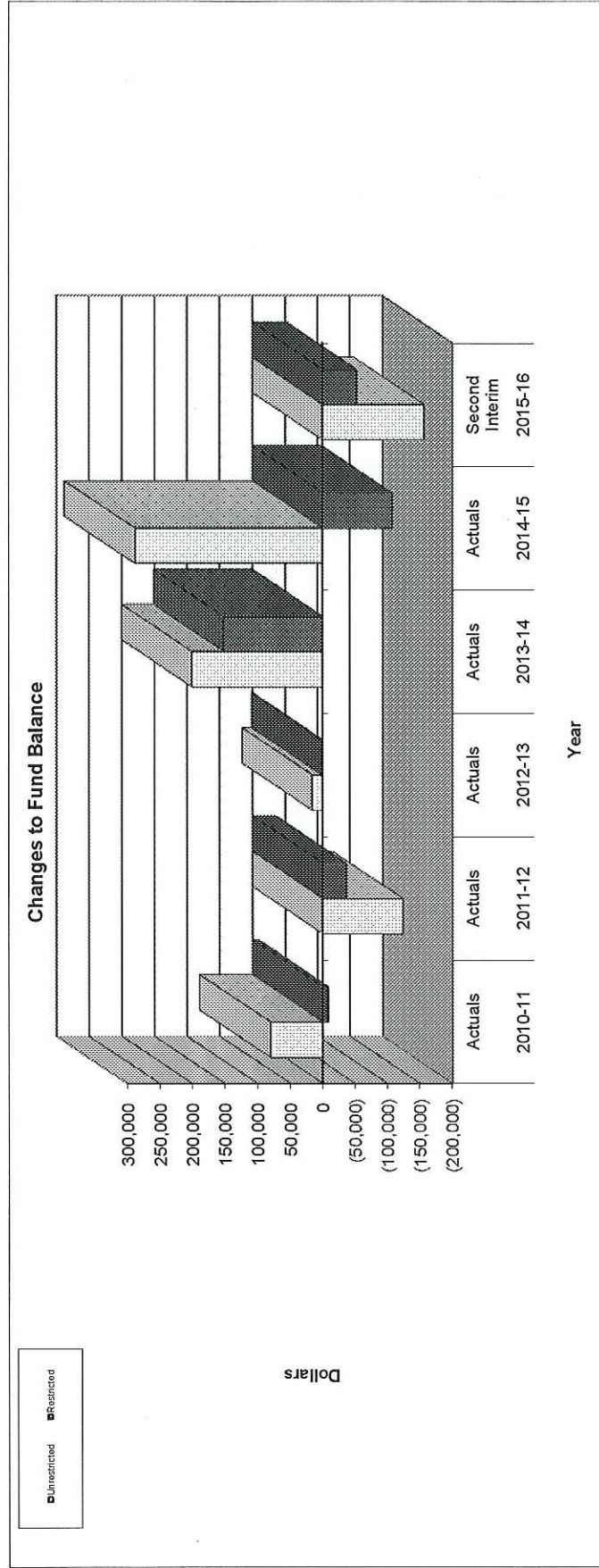
Month	FY 13/14	FY 14/15	FY 15/16
July	1,058,235	1,291,158	1,972,185
Aug	1,127,187	1,499,974	1,603,764
Sept	1,260,290	1,624,196	1,636,793
Oct	1,360,571	1,725,286	1,564,281
Nov	988,482	1,417,727	1,095,982
Dec	2,035,038	2,311,302	2,290,155
Jan	1,479,066	1,950,597	1,969,855
Feb	1,251,137	1,733,617	1,935,828 est
March	1,142,609	1,596,207	1,986,739 est
April	1,548,221	2,002,857	2,208,793 est
May	1,226,862	1,141,703	1,597,089 est
June	1,151,359	2,007,019	1,537,130 est



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.

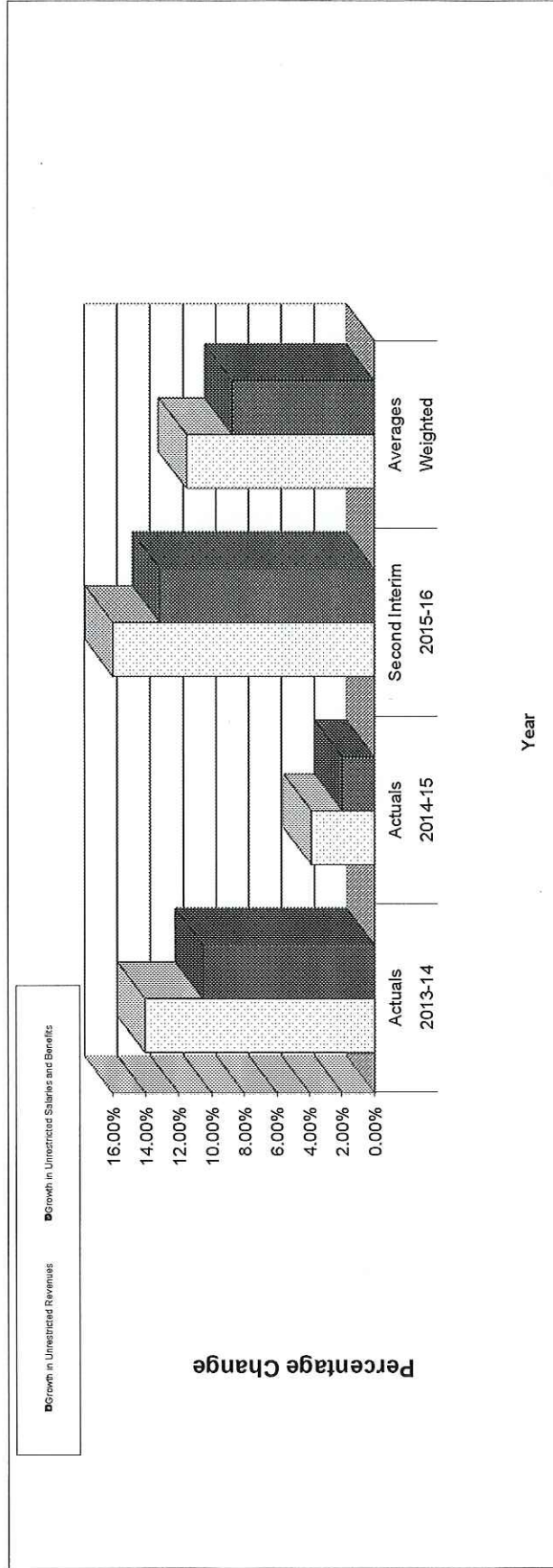
Changes to Fund Balance

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Unrestricted	80,829	(123,178)	15,864	200,270	287,678	(156,564)
Restricted	(8,267)	(36,200)	1,426	151,455	(106,703)	(52,345)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

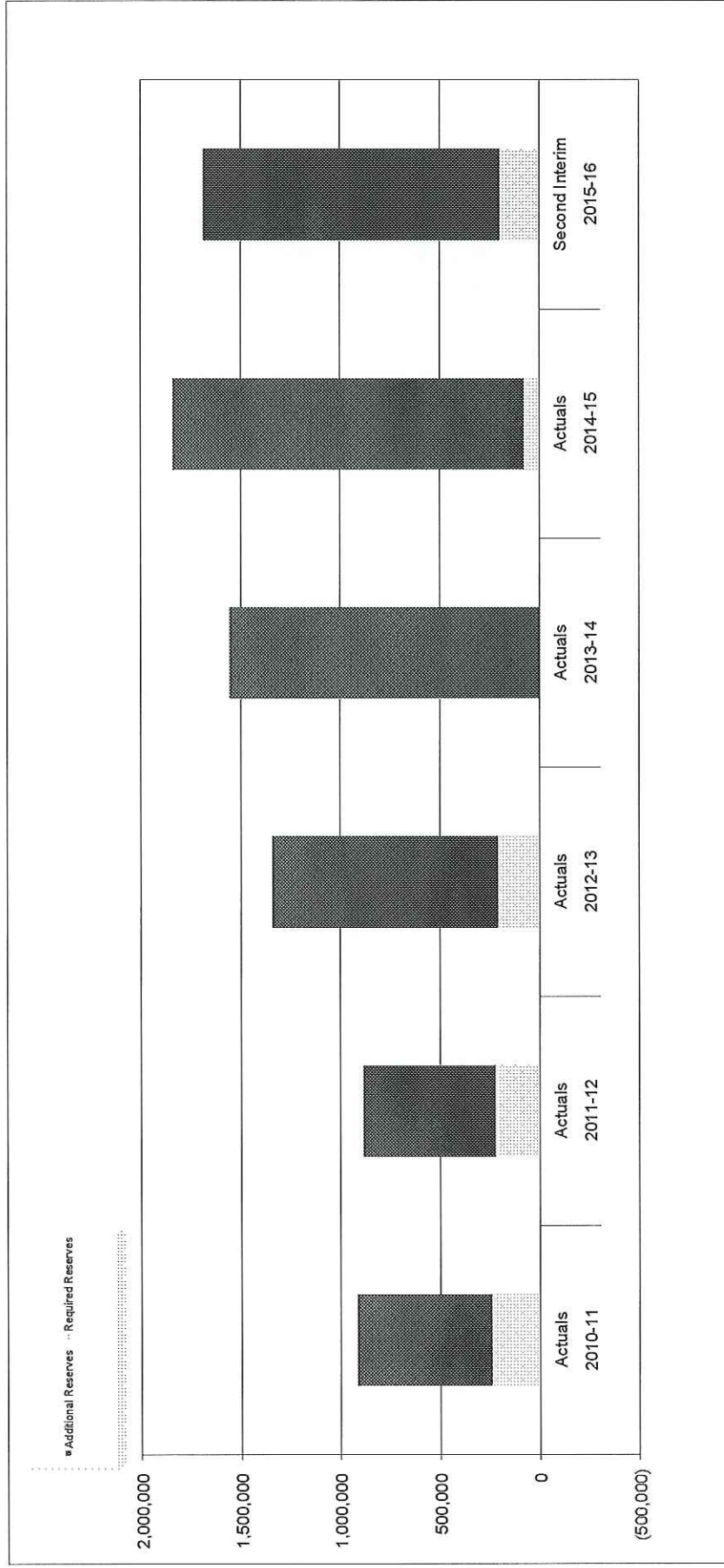
	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 Second Interim	Weighted Averages
Unrestricted Revenues	4,569,888	5,210,228	5,412,113	6,275,156	1.159465
Unrestricted Salaries and Benefits	3,489,763	3,856,814	3,932,940	4,447,191	1.130755
Growth in Revenues between years		14.01%	3.87%	15.95%	11.48%
Growth in Salaries/Benefits between years		10.52%	1.97%	13.08%	8.70%



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

	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 Second Interim
Required Reserves	240,015	220,954	208,405	(7,503)	76,724	195,523
Additional Reserves	675,010	662,547	1,134,613	1,555,881	1,762,763	1,490,599
Total	915,026	883,501	1,343,019	1,548,378	1,839,487	1,686,122



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.