



August 15, 2017

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

Subject: 2017-18 Original Budget

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 2017-18. The Education Code requires the county superintendent 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 current and subsequent fiscal years.

The assumptions used to build the Original Budget and Multi-Year Projection (MYP) are based on the Local Control Funding Formula (LCFF) and are reasonable. Prior year Average Daily Attendance (ADA) is used for 2017-18 LCFF revenue projections while a slight decrease in ADA is projected in 2018-19 with 2019-20 projected to remain flat. LCFF revenue is increasing in 2017-18 due to gap closures by the state. Non-LCFF revenues are projected to decrease due in part to the decrease of one-time funds budgeted 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. Overall, operating expenditures are projected to decrease in 2017-18 due to one-time textbook adoptions and capital-outlay in 2016-17 as well as the elimination of expenditures associated with decreasing or expiring funding sources. The District met the requirement of holding a public hearing on its reserve levels, including justification for carrying higher than minimum reserves. Biggs Unified is able to meet the minimum reserve requirement for the current and subsequent fiscal years.

A Cash Flow Projection and assumptions were included with the 2017-18 Original 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 \$731K in June 2018.

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While the District is able to meet its minimum reserve requirement in the budget year and the two subsequent fiscal years, there are a couple of areas of concern. The first concern is significant projected unrestricted deficit spending in all three years of the MYP totaling \$908K. This will cause the District's unrestricted General Fund balance to be reduced by 94% over this three-year period. It is extremely important that Biggs Unified continue to work diligently to address this concern and create a balanced budget. If this trend of deficit spending continues, the District could be qualified in the next few years.

The second concern is the District's potential loss of Necessary Small School (NSS) funding for their high school. With the adoption of the new LCFF formula, the rules that governed NSS's were altered. The old rules governing Necessary Small High School funding expired at the end of the 2016-17 Fiscal Year. If this change is not amended, it will result in an estimated annual reduction in revenue of more than \$250,000.

It was initially projected that the financial impact of this change would take effect in 2018-19. However, the District is currently projecting that it will meet the NSS requirements for the high school under the new rules in the current budget year. Because of this, and because the district can use the best of current or prior year ADA, the District is now projecting the financial impact of this change will not take effect until the 2019-20 Fiscal Year. If the projections are incorrect and the District does not meet the NSS requirements in the current budget year, then the financial impact of the change will be felt one year sooner in 2018-19. The District needs to be prepared for this shortfall of revenue.

The district has chosen not to include this reduction in funding in the current budget MYP. An informational MYP that does include the funding reduction in 2019-20 has been presented to the board by the administration with projected expenditure reductions to mitigate the loss. Despite these projected expenditure reductions, significant deficit spending is still projected so further expenditure reductions will be necessary in future years.

It should also be noted that in 2018-19 and 2019-20 the District elected to use the higher LCFF gap funding numbers put out by the Department of Finance. Although it is possible that the state will be able to fund the LCFF at this rate, the District should be prepared for any reductions in revenue caused by a change to the gap estimates

Based on our review, the 2017-18 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 (530) 532-5674.

Sincerely,



Travis W. Haskill
Director of External Services, Butte County Office of Education
LEA Services

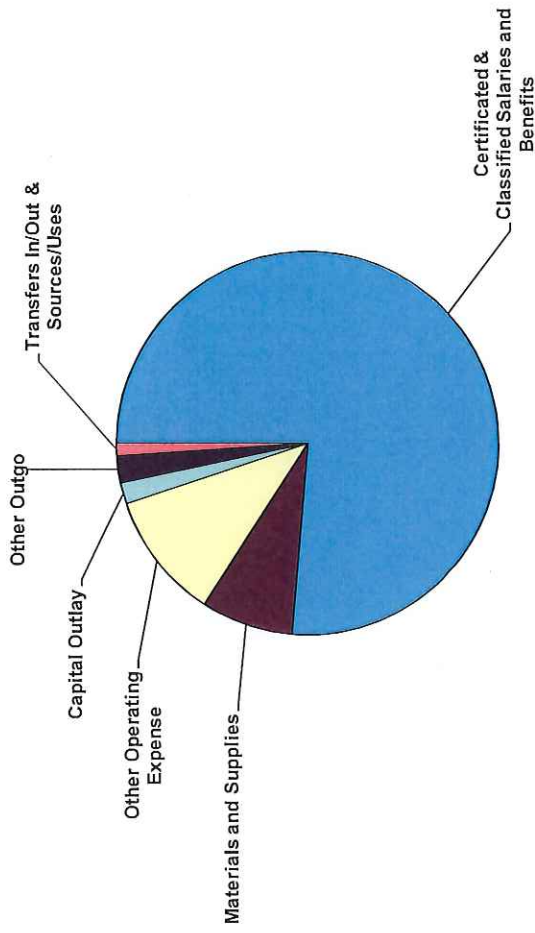
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FS-1718-003

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

Biggs Unified	AB 1200 Data Analysis - General Fund									
	2015-16 Actuals			2016-17 Estimated Actuals			2017-18 Original Budget			
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Total
Revenues										
State Aid	3,250,733		3,250,733	3,532,712		3,532,712	3,546,408		3,546,408	
State Aid - Prior Year	(10,987)		(10,987)	0		0	0		0	
Charter Aid (included in State Aid)										
Local Taxes	2,278,538		2,278,538	2,333,893		2,333,893	2,333,893		2,333,893	
PERS Income(ended 12/13)										
Charter In-Lieu Taxes	(11,414)		(11,414)	(11,593)		(11,593)	(18,077)		(18,077)	
Total LCFF Revenue	5,506,870	0	5,506,870	5,855,012	0	5,855,012	5,862,224	0	5,862,224	
Federal Revenue	22,745	337,794	360,540	1,360	480,157	481,517	0	380,992	380,992	
Other State	489,047	466,423	955,470	375,432	718,784	1,094,216	142,671	327,675	470,346	
Other Local	267,896	0	267,896	564,043	34,417	598,460	204,855	0	204,855	
Total Revenues	6,286,558	804,217	7,090,775	6,795,847	1,233,358	8,029,205	6,209,750	708,667	6,918,417	
Expenditures										
Certificated Salaries	2,281,552	235,614	2,517,166	2,380,325	278,991	2,659,316	2,478,944	281,406	2,760,350	
Classified Salaries	936,883	207,358	1,144,241	1,025,214	291,370	1,316,584	1,041,030	309,327	1,350,357	
Employee Benefits	1,080,322	274,003	1,354,325	1,275,529	328,815	1,604,344	1,339,289	212,278	1,551,567	
Total Salaries & Benefits	4,298,758	716,974	5,015,732	4,681,068	899,176	5,580,244	4,859,263	803,011	5,662,274	
Books and Supplies	481,903	117,606	599,509	612,648	180,813	793,461	476,452	99,982	576,434	
Other Operating Expense	678,038	22,883	700,921	717,808	167,998	885,806	668,664	128,673	797,337	
Capital Outlay	143,527	52,774	196,301	522,150	313,770	835,920	130,500	0	130,500	
Other Outgo	0	207,631	207,631	0	239,000	239,000	0	170,402	170,402	
Direct support/Indirect Costs	(55,189)	41,956	(13,233)	(68,776)	52,856	(15,920)	(59,952)	44,032	(15,920)	
Total Expenditures	5,547,037	1,159,824	6,706,861	6,464,898	1,853,613	8,318,511	6,074,927	1,246,100	7,321,027	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	739,521	(355,607)	383,914	330,949	(620,255)	(289,306)	134,823	(537,433)	(402,610)	
Transfers In										
Transfers Out	608,375		608,375	25,985		25,985	93,330		93,330	
Other Sources										
Other Uses										
Contributions to Rest. Program	(412,958)	412,958	0	(513,362)	513,362	0	(534,632)	534,632	0	
Total Transfers and Other Uses	(1,021,333)	412,958	(608,375)	(538,347)	513,362	(25,985)	(627,962)	534,632	(93,330)	
Total Outgo	6,568,370	746,866	7,315,236	7,004,245	1,340,251	8,344,496	6,702,889	711,468	7,414,357	
Net Inc.(Dec.) to Fund Balance	(281,811)	57,351	(224,461)	(208,398)	(106,893)	(315,291)	(493,139)	(2,801)	(495,940)	
Beginning Balance	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566	965,473	2,801	968,274	
Audit Adjustments/Restatements	0	0	0	0	(1)	(1)	(1)	0	(1)	
Adjusted Beginning Balance	1,455,682	52,345	1,508,027	1,173,871	109,694	1,283,565	965,472	2,801	968,273	
Ending Balance	1,173,871	109,695	1,283,566	965,473	2,801	968,274	472,333	0	472,333	
For Economic Uncertainties	76,724	0	76,724	0	0	0	0	0	0	
Other Available Reserves	1,097,147	0	1,097,147	665,473	0	665,473	472,333	0	472,333	
Dedicated reserves	0	109,695	109,695	300,000	2,801	302,801	0	0	0	
Other Funds	567,688	0	567,688	592,488	592,488	592,488	597,487	597,487	597,487	
Required Reserves - 4%			292,609			333,760			296,574	
Reserves as a %			24.08%			15.08%			14.43%	

Where is the money spent?



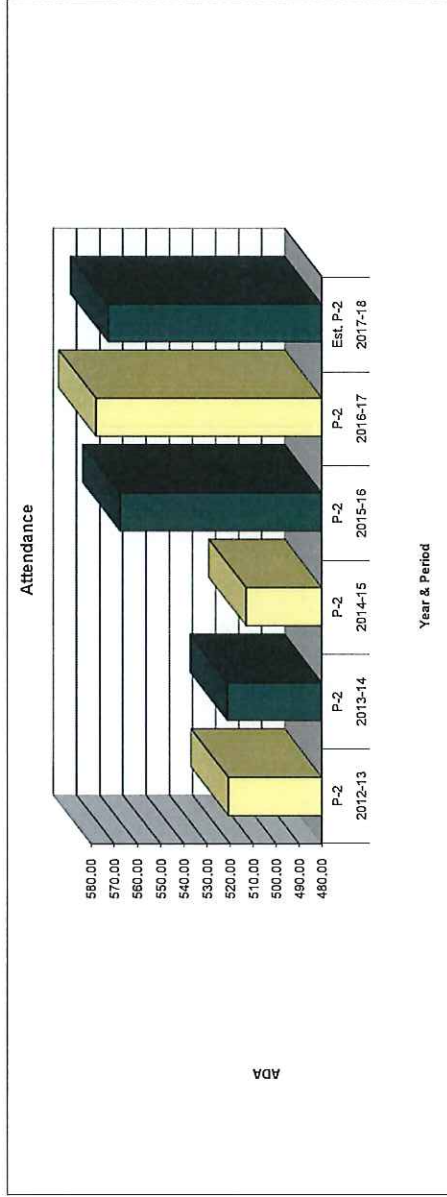
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Certified/Classified Salaries and Benefits	5,662,274	76.37%
Materials and Supplies	576,434	7.77%
Other Operating Expense	797,337	10.75%
Capital Outlay	130,500	1.76%
Other Outgo	170,402	2.30%
Transfers In/Out & Sources/Uses	77,410	1.04%
Total	7,414,357	100.00%

P-2 ADA (Does not include charter school)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
P-2	P-2	P-2	P-2	P-2	Est. P-2
520.70	521.16	512.99	567.43	577.85	572.66

P-2 ADA



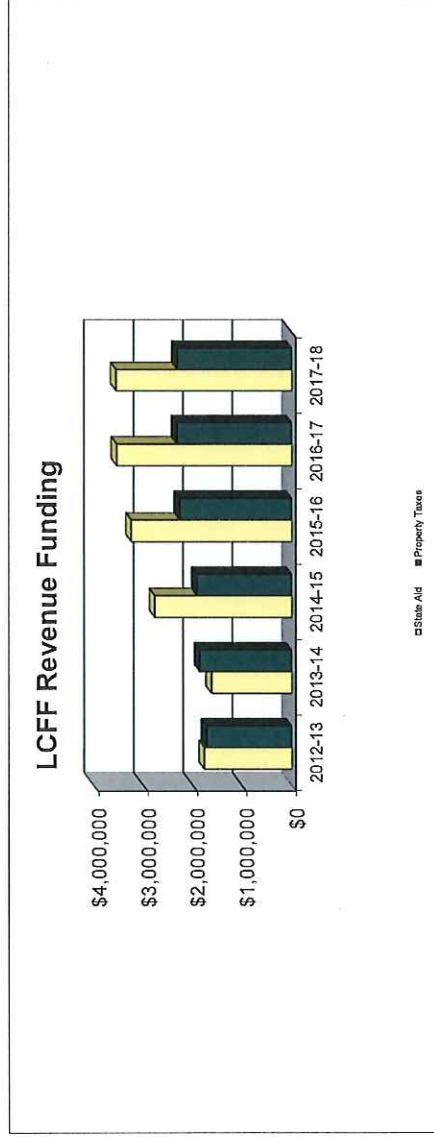
ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

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	3,532,712	3,546,408
Property Taxes	1,719,990	1,858,353	1,915,430	2,267,124	2,322,300	2,315,616
Total	3,481,608	3,476,028	4,682,151	5,506,870	5,855,012	5,862,224

Percentages	
State Aid	51%
Property Taxes	49%

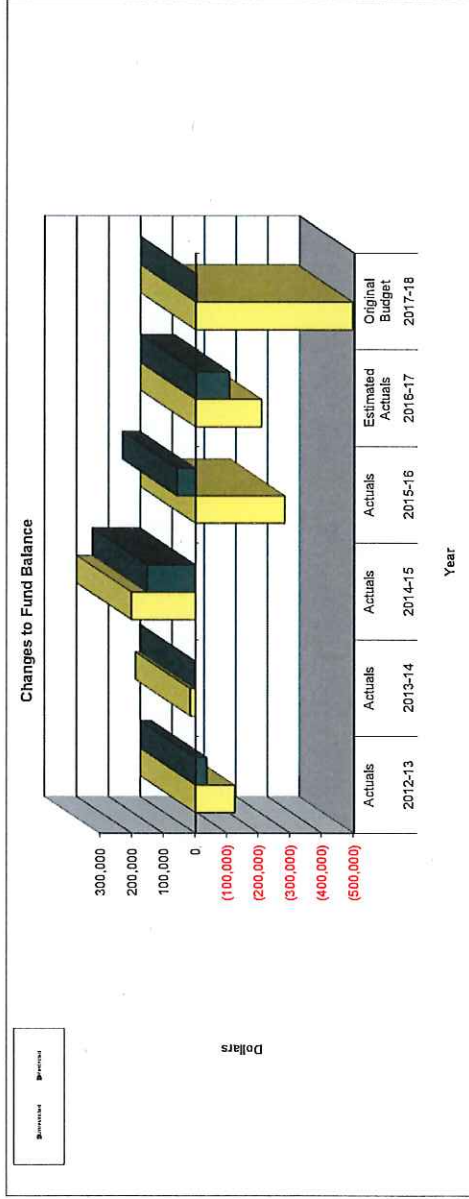
Percentages	
State Aid	59%
Property Taxes	41%



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.

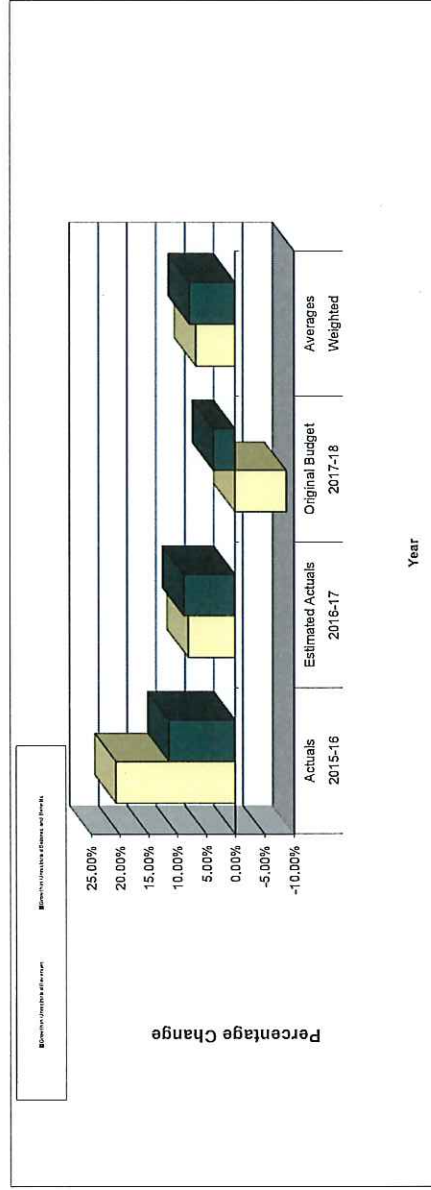
Changes to Fund Balance

	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)	Estimated Actuals (208,398)	Original Budget (493,139)
Restricted	(36,200)	1,426	151,455	57,351	(106,893)	(2,801)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

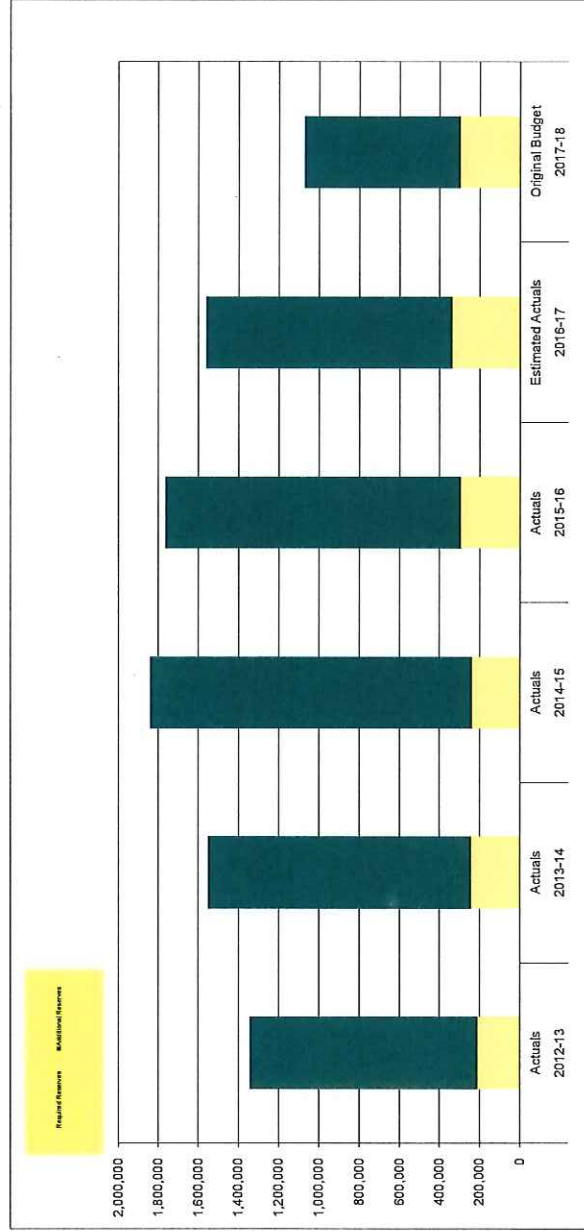
	2014-15	2015-16	2016-17	2017-18	Weighted
Unrestricted Revenues	5,210,228	6,286,558	6,795,847	6,209,750	0.913757
Unrestricted Salaries and Benefits	3,856,814	4,298,758	4,681,068	4,859,263	1.038067
Growth in Revenues between years		20.66%	8.10%	-8.62%	6.81%
Growth in Salaries/Benefits between years		11.46%	8.89%	3.81%	7.90%



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	Actuals 208,405	Actuals 242,628	Actuals 234,065	Actuals 292,609	Estimated 333,780	Original Budget 296,574
Additional Reserves	1,134,613	1,305,750	1,605,423	1,468,949	1,224,181	773,245
Total	1,343,019	1,548,378	1,839,487	1,761,558	1,557,960	1,069,819



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.