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Employer

April 12, 2017

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

Subject: 2016-17 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 2016-17. 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 and future years are based on 2016-17 ADA estimates and show a slight increase from prior year P-2. ADA has gone up significantly due to increased attendance created by the completion of a local subdivision in 2015. Federal revenues are reduced with the removal of MAA while state revenues have decreased with the change in funding of the one-time Mandated Cost funding. Salaries and benefits reflect step and column cost increases for each fiscal year. 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 \$930K in June 2017.

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 \$450k in 2016-17 and another \$608K in the two out years. 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 was given a new timeline that expires in 2016-2017.


"WHERE STUDENTS COME FIRST"

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If the high school NSS change is not amended, it will result in an estimated yearly reduction of more than \$250,000. Because 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 has chosen not to include this reduction in funding in the current budget MYP. An informational MYP that does include the funding reduction has been presented to the board and the administration is planning to transfer funds from the Special Reserve for Non-Capital Outlay Fund in 2018-19 to mitigate the loss. Expenditure reductions may be necessary in future years.

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) 532-5716.

Sincerely,



Adrian Barron
Director of External Services
LEA Services

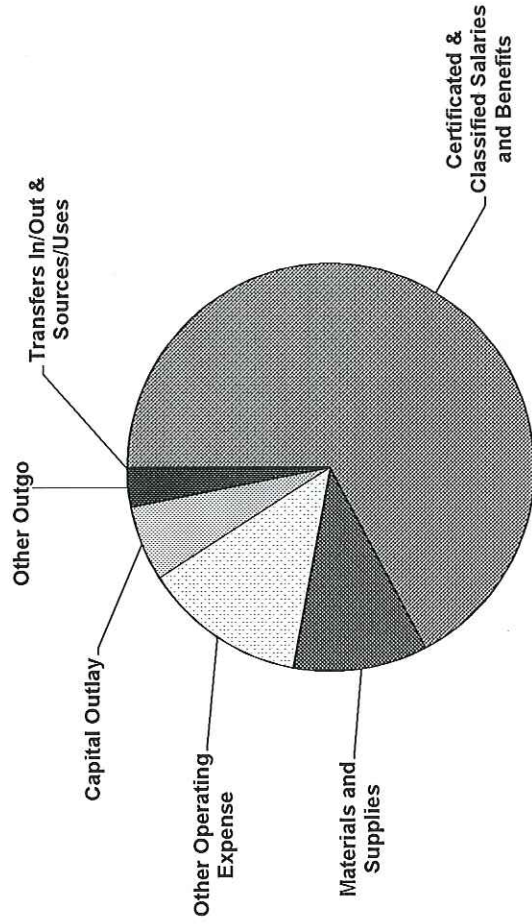
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cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Mary Sakuma, Deputy Superintendent
Lisa Anderson, Senior Director of Fiscal Services

Attachment

	AB 1200 Data Analysis - General Fund											
	2014-15 Actuals			2015-16 Unaudited Actuals			2016-17 Second Interim			2016-17 Second Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Biggs Unified												
Revenues												
State Aid	2,827,239		2,827,239	3,250,733		3,250,733	3,532,712		3,532,712			3,532,712
State Aid - Prior Year	(23,632)		(23,632)	(10,987)		(10,987)	0		0			0
Charter Aid (included in State Aid)			0	0		0	0		0			0
Local Taxes	1,953,614		1,953,614	2,278,538		2,278,538	2,308,255		2,308,255			2,308,255
PERS Income(ended 12/13)			0			0			0			0
Charter In-Lieu Taxes	(3,787)		(3,787)	(11,414)		(11,414)	(11,593)		(11,593)			(11,593)
Total LCFF Revenue	4,753,434	0	4,753,434	5,506,870	0	5,506,870	5,829,374	0	5,829,374			5,829,374
Federal Revenue	20,383	275,507	295,889	22,745	337,794	360,540	1,360	464,961	466,341			466,341
Other State	135,016	324,546	459,562	489,047	466,423	955,470	427,767	436,996	864,763			864,763
Other Local	503,280	20,426	523,705	267,896	0	267,896	575,648	0	575,648			575,648
Total Revenues	5,412,113	620,478	6,032,591	6,286,558	804,217	7,090,775	6,834,149	901,977	7,736,126			7,736,126
Expenditures												
Certificated Salaries	1,991,692	174,297	2,165,989	2,281,552	235,614	2,517,166	2,385,586	286,336	2,671,922			2,671,922
Classified Salaries	907,919	160,243	1,068,162	936,883	207,358	1,144,241	1,032,740	290,970	1,323,710			1,323,710
Employee Benefits	1,033,329	227,068	1,260,397	1,080,322	274,003	1,354,325	1,273,190	178,901	1,452,091			1,452,091
Total Salaries & Benefits	3,932,940	561,608	4,494,547	4,298,758	716,974	5,015,732	4,691,516	756,207	5,447,723			5,447,723
Books and Supplies	318,503	137,990	456,493	481,903	117,606	599,509	663,587	197,130	860,717			860,717
Other Operating Expense	603,657	38,467	642,123	678,038	22,883	700,921	753,806	298,665	1,052,471			1,052,471
Capital Outlay	27,629	27,629	55,258	143,527	52,774	196,301	470,650	15,000	485,650			485,650
Other Outgo		149,089	149,089	0	207,631	207,631	0	239,000	239,000			239,000
Direct support/Indirect Costs	(48,655)	35,390	(13,265)	(55,189)	41,956	(13,233)	(67,660)	51,740	(15,920)			(15,920)
Total Expenditures	4,834,073	922,543	5,756,616	5,547,037	1,159,824	6,706,861	6,511,899	1,557,742	8,069,641			8,069,641
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	578,040	(302,065)	275,975	739,521	(355,607)	383,914	322,250	(655,765)	(333,515)			(333,515)
Transfers In			0			0			0			0
Transfers Out	95,000		95,000	608,375		608,375	25,985		25,985			25,985
Other Sources			0			0			0			0
Other Uses	(195,362)		(195,362)	(412,958)		(412,958)	(546,071)		(546,071)			(546,071)
Contributions to Rest. Program			0			0			0			0
Total Transfers and Other Uses	(290,362)	195,362	(95,000)	(1,021,333)	412,958	(608,375)	(572,055)	546,071	(25,985)			(25,985)
Total Outgo	5,124,435	727,181	5,851,616	6,568,370	746,866	7,315,236	7,083,955	1,011,671	8,095,626			8,095,626
Net Inc. (Dec.) to Fund Balance	287,678	(106,703)	180,975	(281,811)	57,351	(224,461)	(249,806)	(109,694)	(359,500)			(359,500)
Beginning Balance	1,168,004	159,048	1,327,053	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566			1,283,566
Audit Adjustments/Restatements	0	(1)	(1)	0	0	0	0	0	0			0
Adjusted Beginning Balance	1,168,004	159,047	1,327,052	1,455,682	52,345	1,508,027	1,173,871	109,694	1,283,566			1,283,566
Ending Balance	1,455,682	52,345	1,508,027	1,173,871	109,695	1,283,566	924,065	0	924,065			924,065
For Economic Uncertainties	76,724	0	76,724	76,724	0	76,724	55,963	0	55,963			55,963
Other Available Reserves	1,378,958	(0)	1,378,958	1,097,147	0	1,097,147	868,102	0	868,102			868,102
Dedicated reserves	0	52,345	52,345	0	109,695	109,695	0	0	0			0
Other Funds	383,805		383,805	587,688		587,688	591,687		591,687			591,687
Required Reserves - 4%			234,065			292,609			323,825			323,825
Reserves as a %			31.44%			24.08%			18.72%			18.72%

Where is the money spent?

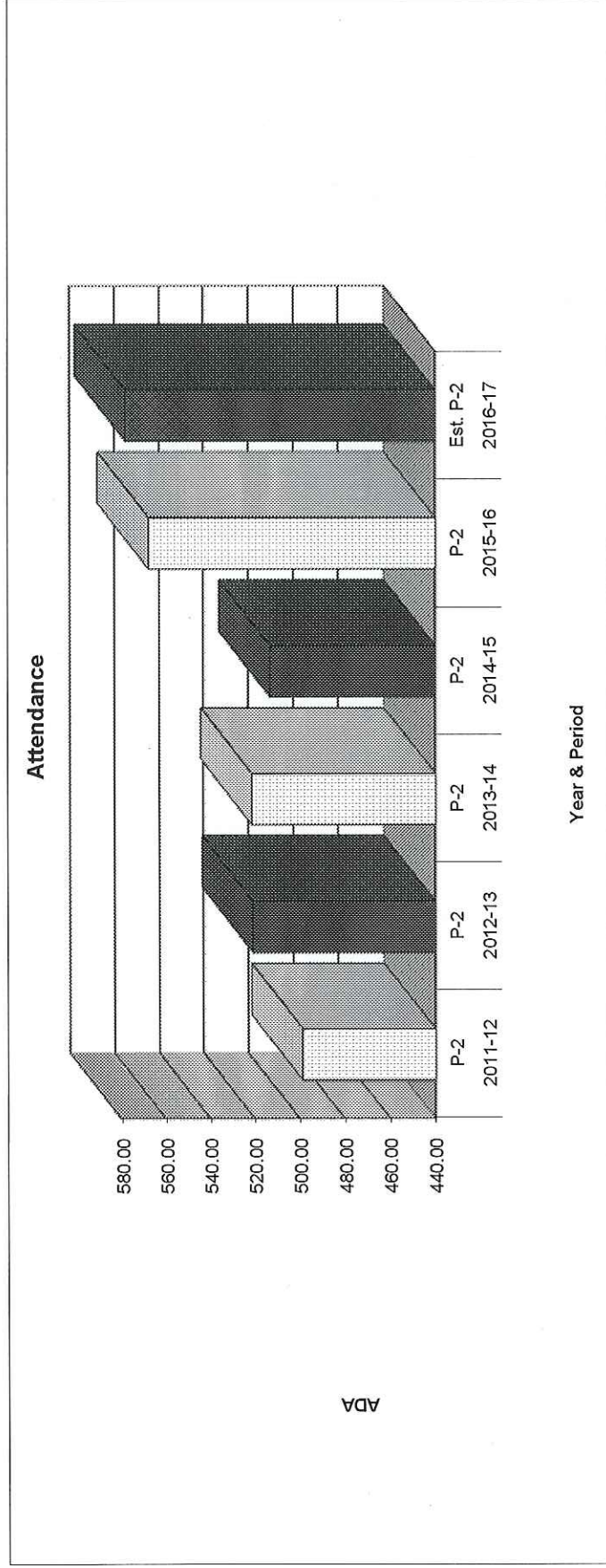


2016-17 Second Interim Budget

Certificated/Classified Salaries and Benefits	5,447,723	67.29%
Materials and Supplies	-860,717	10.63%
Other Operating Expense	1,052,471	13.00%
Capital Outlay	485,650	6.00%
Other Outgo	239,000	2.95%
Transfers In/Out & Sources/Uses	10,065	0.12%
Total	8,095,626	100.00%

P-2 ADA (Does not include charter school)

2011-12 P-2	2012-13 P-2	2013-14 P-2	2014-15 P-2	2015-16 P-2	2016-17 Est. P-2
498.50	520.70	521.16	512.99	567.43	577.85
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.

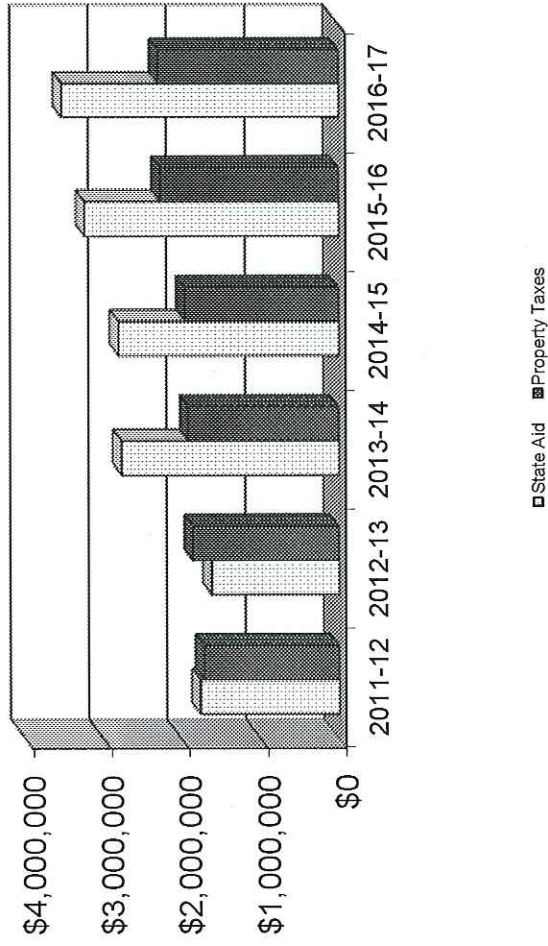
LCFF Revenue Funding

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
State Aid	1,761,618	1,617,675	2,766,721	2,803,607	3,239,746	3,532,712
Property Taxes	1,719,990	1,858,353	1,915,430	1,949,827	2,267,124	2,296,662
Total	3,481,608	3,476,028	4,682,151	4,753,434	5,506,870	5,829,374

Percentages

State Aid	51%	47%	59%	59%	59%	61%
Property Taxes	49%	53%	41%	41%	41%	39%

LCFF Revenue Funding



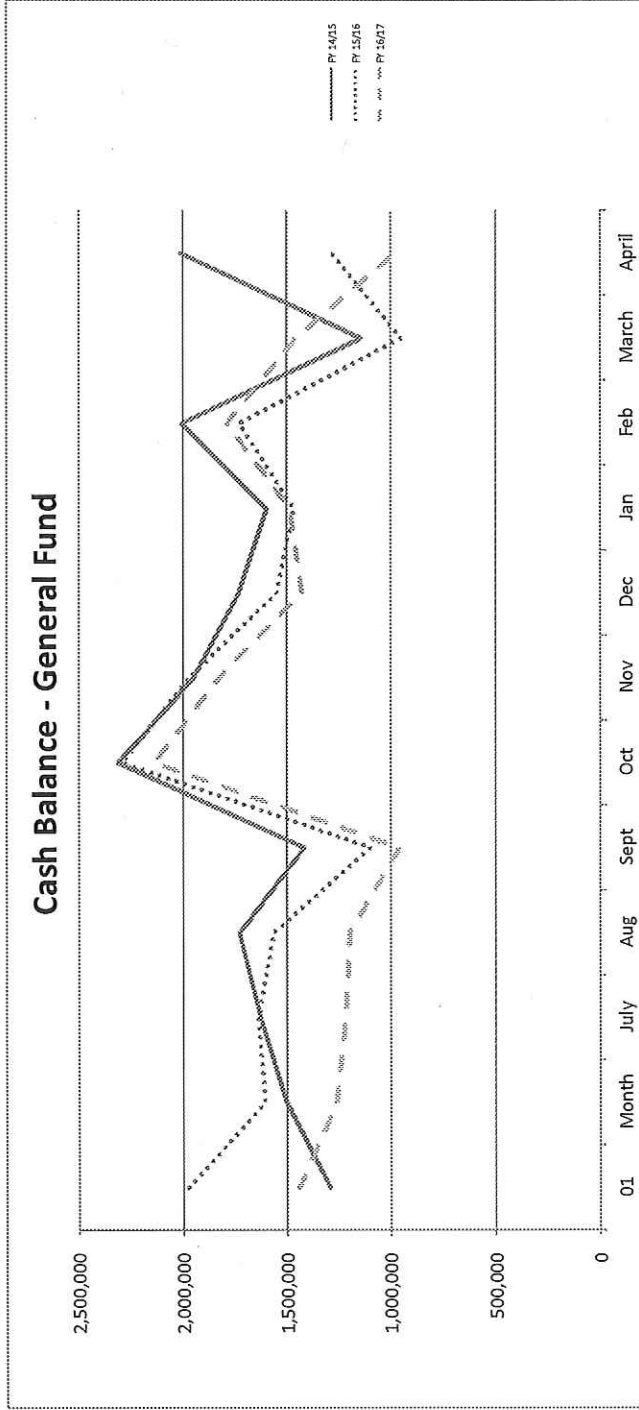
This graph illustrates the relationship between state aid and property taxes. A district with a higher state aid percentage will experience more volatility in the General Fund cash flow, due to the Principal Apportionment deferrals imposed by the State of California.

Cash Balance - General Fund

Actuals through January 2017, February 2017 and 16-17 estimated

Fund 3520 01

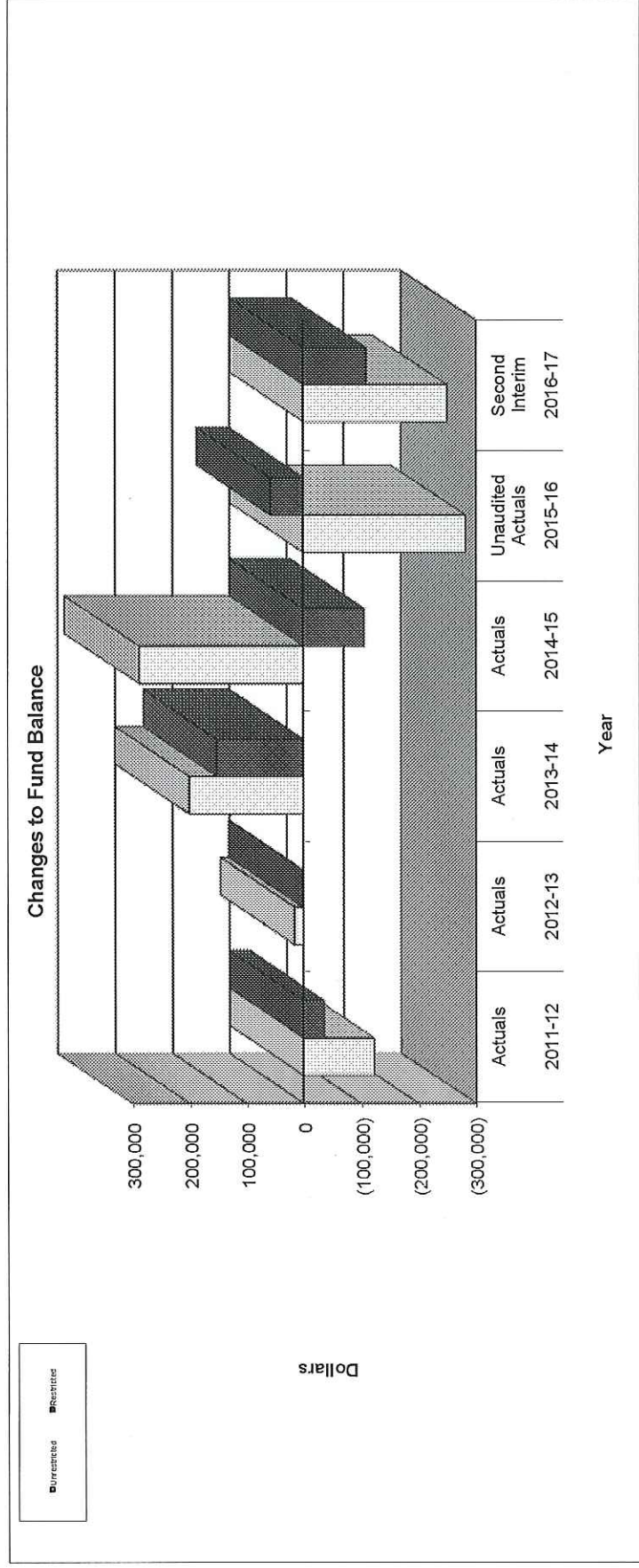
Month	FY 14/15	FY 15/16	FY 16/17
July	1,291,158	1,972,185	1,442,516
Aug	1,499,974	1,603,764	1,261,987
Sept	1,624,196	1,636,793	1,217,326
Oct	1,725,286	1,564,281	1,197,696
Nov	1,417,727	1,095,982	957,217
Dec	2,311,302	2,290,155	2,138,836
Jan	1,950,597	1,969,855	1,827,788
Feb	1,733,617	1,549,843	1,427,505 est
March	1,596,207	1,465,729	1,486,028 est
April	2,002,857	1,725,324	1,785,927 est
May	1,141,703	949,976	1,459,043 est
June	2,007,019	1,283,566	978,554 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.

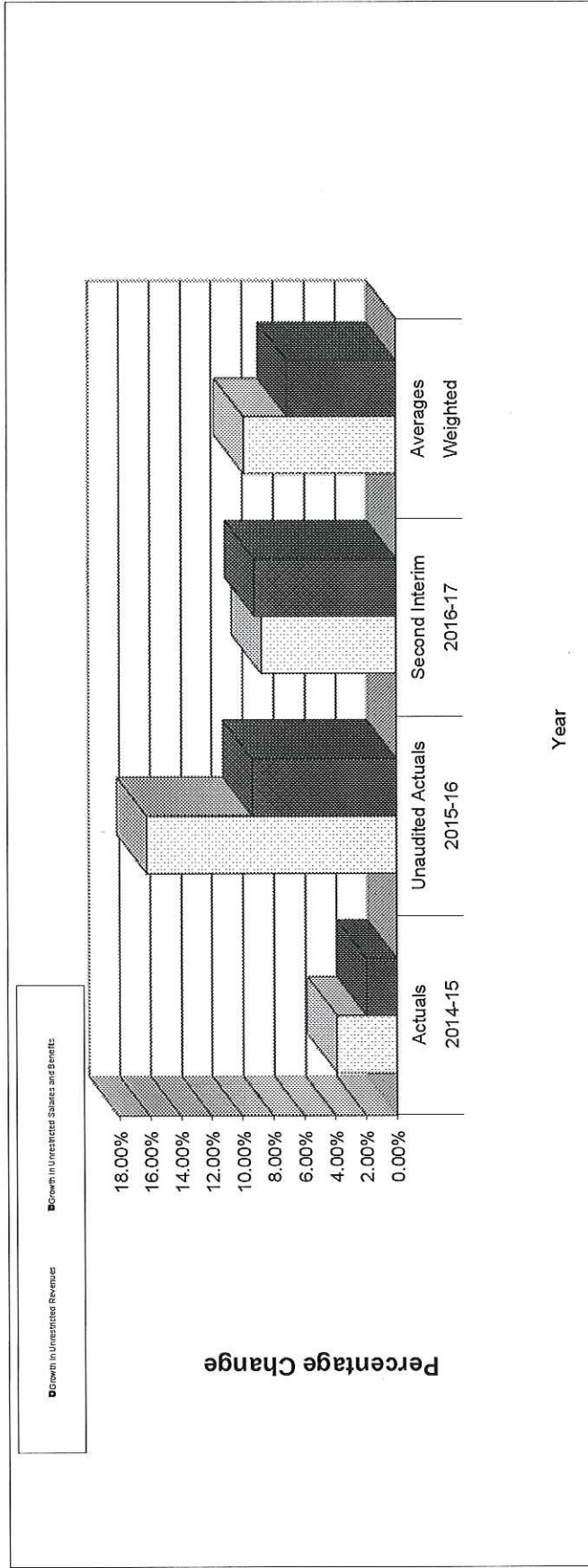
Changes to Fund Balance

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Unrestricted	Actuals (123,178)	Actuals 15,864	Actuals 200,270	Actuals 287,678	Unaudited Actuals (281,811)	Second Interim (249,806)
Restricted	(36,200)	1,426	151,455	(106,703)	57,351	(109,694)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

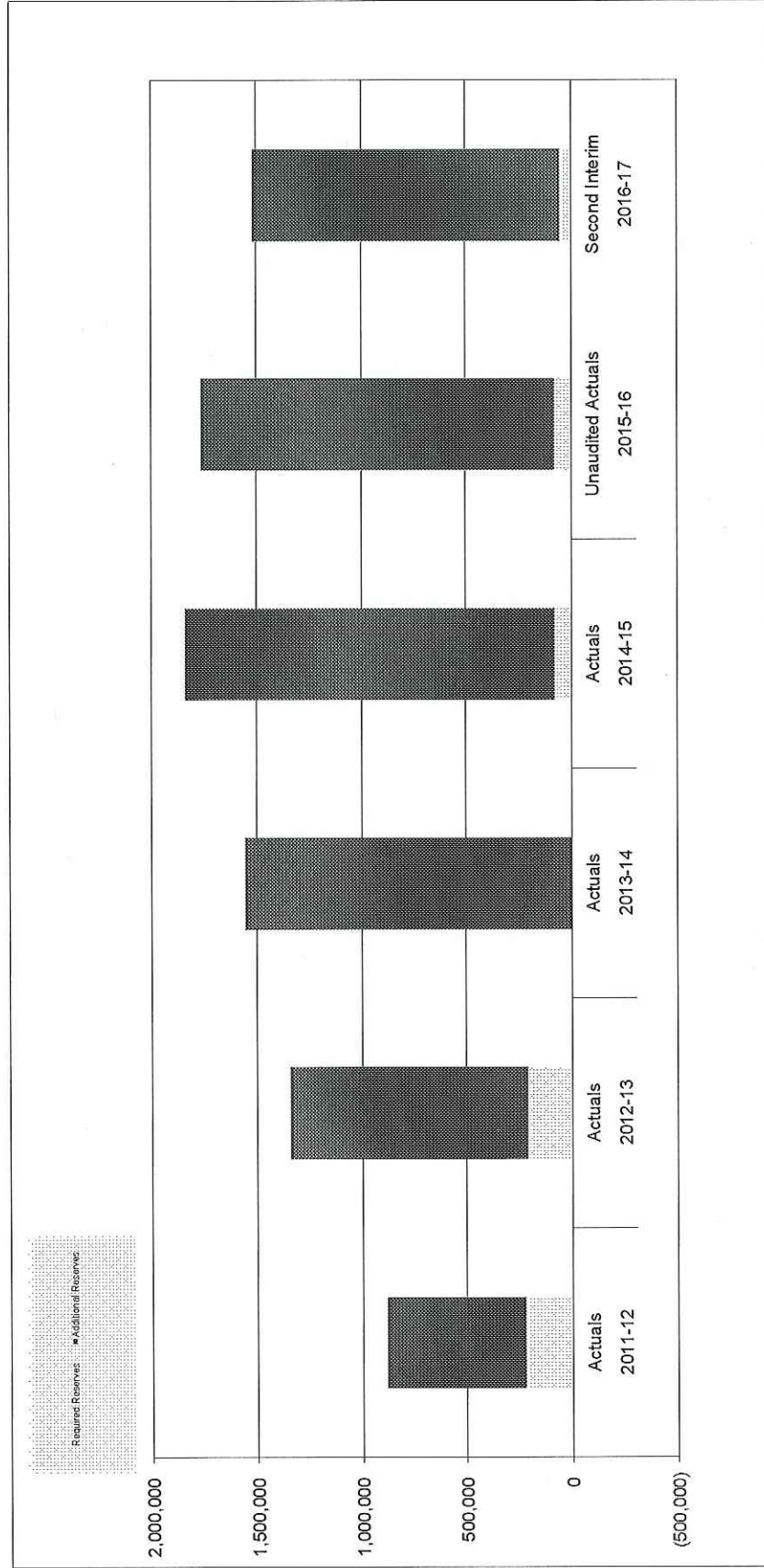
	2013-14	2014-15	2015-16	2016-17	Weighted
Unrestricted Revenues	5,210,228	5,412,113	6,286,558	6,834,149	1,087,105
Unrestricted Salaries and Benefits	3,856,814	3,932,940	4,298,758	4,691,516	1,091,366
Growth in Revenues between years		3.87%	16.16%	8.71%	9.82%
Growth in Salaries/Benefits between years		1.97%	9.30%	9.14%	7.01%



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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Required Reserves	220,954	208,405	(7,503)	76,724	76,724	55,963
Additional Reserves	662,547	1,134,613	1,555,881	1,762,763	1,684,834	1,459,788
Total	883,501	1,343,019	1,548,378	1,839,487	1,761,558	1,515,751



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.