



September 20, 2018

Mr. Dennis Slusser, Board President
Biggs Unified School District
300 B Street
Biggs, CA 95917

Subject: 2018-19 Original Budget

Dear Mr. Slusser:

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 2018-19. The Education Code requires the county superintendent to 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. Average Daily Attendance (ADA) is projected to remain flat in the budget year and the two subsequent years of the MYP. LCFF revenue is increasing in 2018-19 due to the full implementation of the LCFF. Non-LCFF revenues are projected to increase due in part to an increase in the amount of one-time state mandate revenue budgeted. Salaries and benefits reflect step and column increases in each fiscal year. Overall, operating expenditures are projected to remain relatively flat in 2018-19. 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 2018-19 Original Budget. While no cash deferrals were projected with the 2018-19 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 2018-19 with a projected General Fund cash balance of approximately \$925K in June 2019.

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BCOE notes that the District budgeted one-time mandate funds at \$344 per ADA and used a 3.00% Cost of Living Adjustment (COLA) for LCFF Revenues, which is consistent with the governor's May Revise Budget. However, the 2018-19 budget that was adopted by the state subsequent to the creation of the BUSD's Original Budget included a rate of \$184 per ADA for one-time mandate funds and an LCFF COLA of 3.70%. While this change will result in a decrease in revenue from what the District budgeted in the 2018-19 year, overall it will result in a net increase in revenue over the three year period reflected in the MYP as the increase to the COLA results in ongoing funding.

Due to retroactive changes to activities allowed to be claimed for School-Based Medi-Cal Administrative Activities (SMAA) many Districts have a liability for activities they were previously reimbursed for, but which are no longer allowable. A provision was included in the 2018-19 adopted state budget which will withhold the amount owed by each district from the one-time state mandated funding that was to be apportioned in 2018-19. It is expected that BUSD's one-time mandate funding will be reduced by this amount.

While the District is able to meet its minimum reserve requirement in the budget year and the two subsequent fiscal years, projected deficit spending is a major area of concern. Deficit spending is projected in all three years of the MYP totaling \$888K and the District will need to rely on its Special Reserve for Non-Capital Outlay Fund (Fund 17) to meet the minimum reserve requirement in 2018-19 and 2019-20. This deficit spending exists despite large projected expenditure reductions in each of the two subsequent years on the MYP. While specific reductions were not provided, these expenditure reductions were projected to be \$157K in 2019-20, ongoing to 2020-21. If the District is unable to actually make the proposed expenditure reductions reflected on the MYP, the deficit spending would be much larger than what is currently estimated and BUSD would need to rely more heavily on their Fund 17 and potentially their Special Reserve for Postemployment Benefits (Fund 20) in order to meet the minimum reserve requirement.

Based on our review, the 2018-19 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

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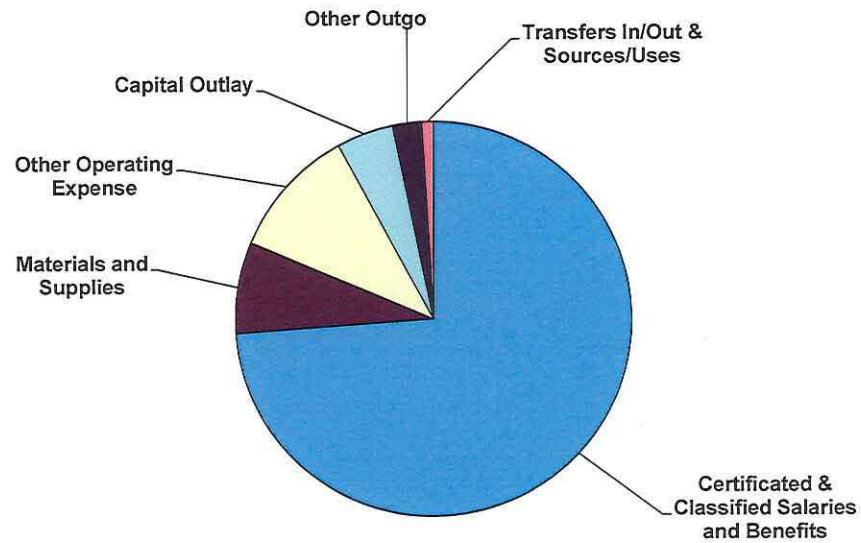
Cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Mary Sakuma, Deputy Superintendent
Lisa Anderson, Senior Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

Biggs Unified	2016-17 Unaudited Actuals			2017-18 Estimated Actuals			2018-19 Original Budget		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	3,434,187		3,434,187	3,402,573		3,402,573	3,474,884		3,474,884
State Aid - Prior Year	0		0	0		0	0		0
Charter Aid (included in State Aid)			0			0			0
Local Taxes	2,421,845		2,421,845	2,486,542		2,486,542	2,486,542		2,486,542
PERS Income(ended 12/13)			0			0			0
Charter In-Lieu Taxes	(15,575)		(15,575)	(15,770)		(15,770)	(19,729)		(19,729)
Total LCFF Revenue	5,840,457	0	5,840,457	5,873,345	0	5,873,345	5,941,697	0	5,941,697
Federal Revenue	3,013	453,222	456,235	3,000	408,689	411,689	0	453,401	453,401
Other State	287,394	637,288	924,682	338,739	592,083	930,822	324,315	640,340	964,655
Other Local	669,767	34,417	704,184	204,855		204,855	212,779		212,779
Total Revenues	6,800,631	1,124,927	7,925,558	6,419,939	1,000,772	7,420,711	6,478,791	1,093,741	7,572,532
Expenditures									
Certificated Salaries	2,335,460	277,854	2,613,314	2,496,375	349,615	2,845,990	2,451,252	342,239	2,793,491
Classified Salaries	990,106	291,311	1,281,417	1,058,787	308,327	1,367,114	1,035,279	298,495	1,333,774
Employee Benefits	1,234,022	354,504	1,588,526	1,335,060	437,980	1,773,040	1,361,092	431,479	1,792,571
Total Salaries & Benefits	4,559,588	923,669	5,483,257	4,890,222	1,095,922	5,986,144	4,847,623	1,072,213	5,919,836
Books and Supplies	501,428	157,560	658,988	444,825	175,235	620,060	476,440	127,100	603,540
Other Operating Expense	627,392	74,161	701,553	702,580	100,941	803,521	749,630	107,660	857,290
Capital Outlay	439,848	219,543	659,391	309,630	72,506	382,136	298,150	72,506	370,656
Other Outgo	0	201,648	201,648	0	130,402	130,402	0	190,109	190,109
Direct support/Indirect Costs	(64,160)	52,233	(11,927)	(61,730)	45,810	(15,920)	(64,730)	48,810	(15,920)
Total Expenditures	6,064,096	1,628,814	7,692,910	6,285,527	1,620,816	7,906,343	6,307,113	1,618,398	7,925,511
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	736,535	(503,887)	232,648	134,412	(620,044)	(485,632)	171,678	(524,657)	(352,979)
Transfers In			0			0			0
Transfers Out	40,985		40,985	81,421		81,421	88,835		88,835
Other Sources			0			0			0
Other Uses			0			0			0
Contributions to Rest. Program	(473,180)	473,180	0	(541,056)	541,056	0	(524,657)	524,657	0
Total Transfers and Other Uses	(514,165)	473,180	(40,985)	(622,477)	541,056	(81,421)	(613,492)	524,657	(88,835)
Total Outgo	6,578,261	1,155,634	7,733,895	6,908,004	1,079,760	7,987,764	6,920,605	1,093,741	8,014,346
Net Inc.(Dec.) to Fund Balance	222,370	(30,707)	191,663	(488,065)	(78,988)	(567,053)	(441,814)	0	(441,814)
Beginning Balance	1,173,871	109,695	1,283,566	1,396,241	78,988	1,475,229	908,174	0	908,174
Audit Adjustments/Restatements	0	0	0	(2)	0	(2)	0	0	0
Adjusted Beginning Balance	1,173,871	109,695	1,283,566	1,396,239	78,988	1,475,227	908,174	0	908,174
Ending Balance	1,396,241	78,988	1,475,229	908,174	0	908,174	466,360	0	466,360
For Economic Uncertainties	26,667	0	26,667	0	0	0	35,183	0	35,183
Other Available Reserves	361,465	0	361,465	906,174	0	906,174	431,177	0	431,177
Dedicated reserves	1,008,109	78,988	1,087,097	2,000	0	2,000	0	0	0
Other Funds	593,766		593,766	599,965		599,965	605,965		605,965
Required Reserves - 4%			309,356			319,511			320,574
Reserves as a %			12.70%			18.86%			13.38%

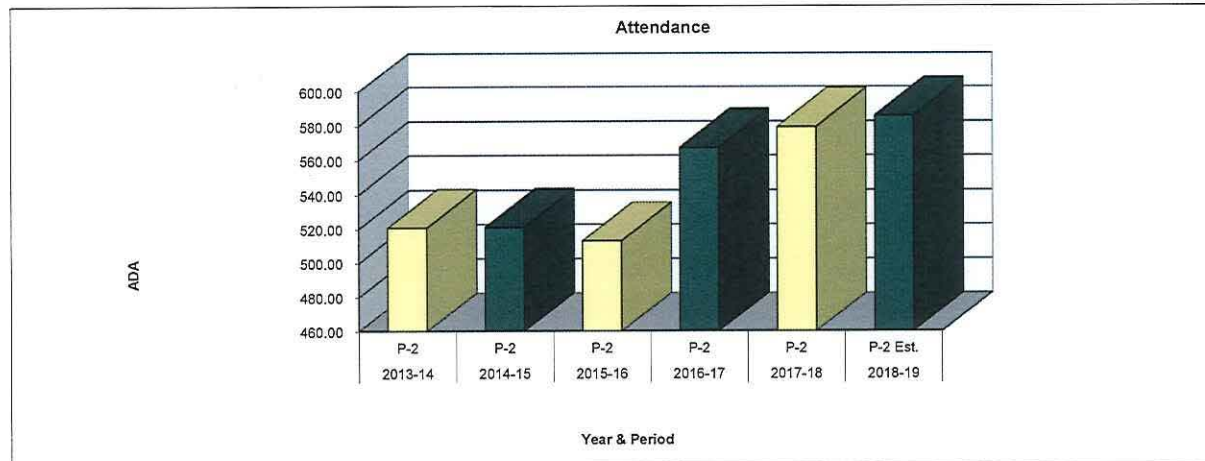
Where is the money spent?



2018-19	Original Budget		
Certificated/Classified Salaries and Benefits	5,919,836	73.87%	
Materials and Supplies	603,540	7.53%	
Other Operating Expense	857,290	10.70%	
Capital Outlay	370,656	4.62%	
Other Outgo	190,109	2.37%	
Transfers In/Out & Sources/Uses	72,915	0.91%	
Total	8,014,346	100.00%	

P-2 ADA (Does not include charter school)

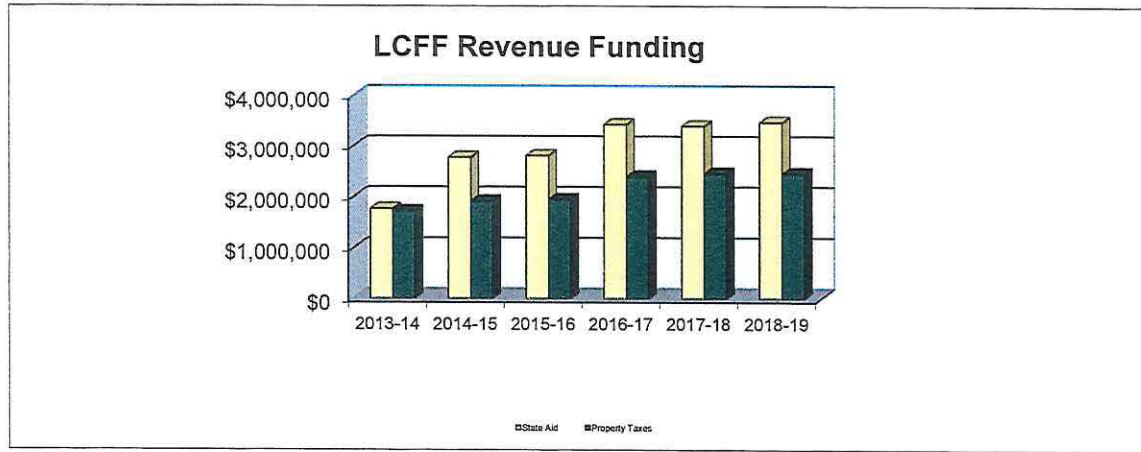
	2013-14 P-2	2014-15 P-2	2015-16 P-2	2016-17 P-2	2017-18 P-2	2018-19 P-2 Est.
P-2 ADA	520.70	521.16	512.99	567.43	579.38	585.92



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

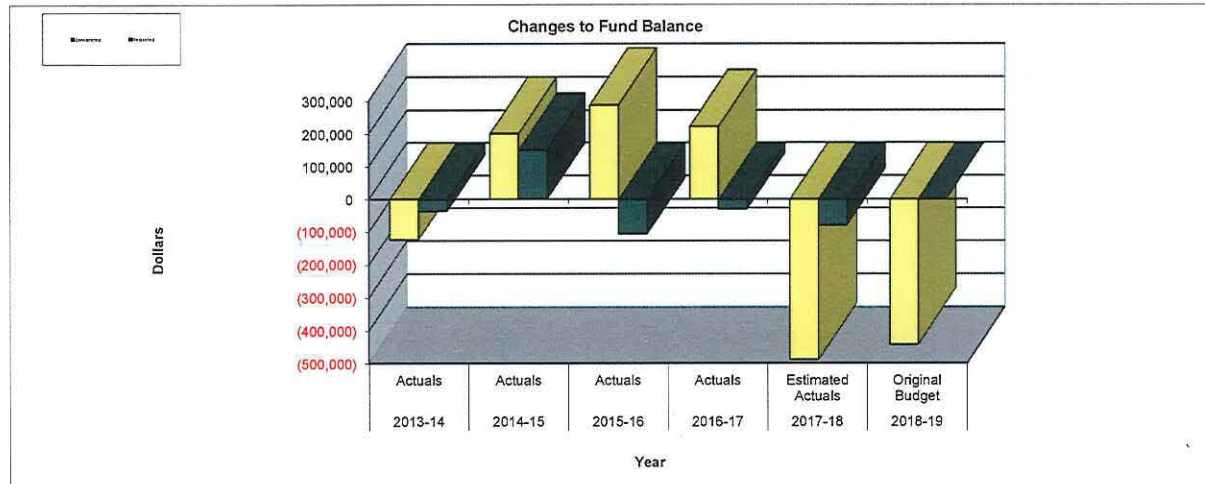
	2013-14	2014-15	2015-16	2016-17	2017-18 Estimated	2018-19 Original Budget
State Aid	1,761,618	2,766,721	2,803,607	3,434,187	3,402,573	3,474,884
Property Taxes	1,719,990	1,915,430	1,949,827	2,406,270	2,470,772	2,466,813
Total	3,481,608	4,682,151	4,753,434	5,840,457	5,873,345	5,941,697
Percentages						
State Aid	51%	59%	59%	59%	58%	58%
Property Taxes	49%	41%	41%	41%	42%	42%



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.

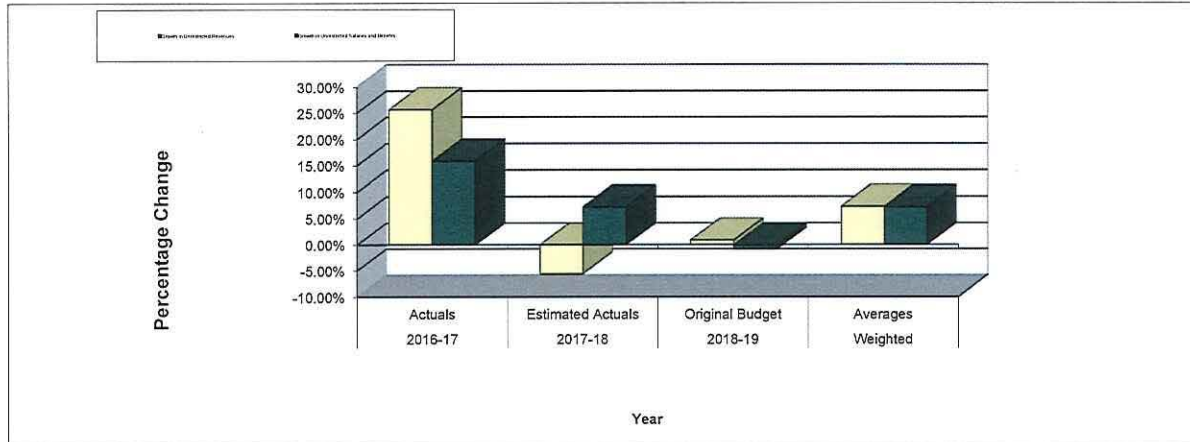
Changes to Fund Balance

	2013-14	2014-15	2015-16	2016-17	2017-18 Estimated Actuals	2018-19 Original Budget
Unrestricted	(123,178)	200,270	287,678	222,370	(488,065)	(441,814)
Restricted	(36,200)	151,455	(106,703)	(30,707)	(78,988)	0



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

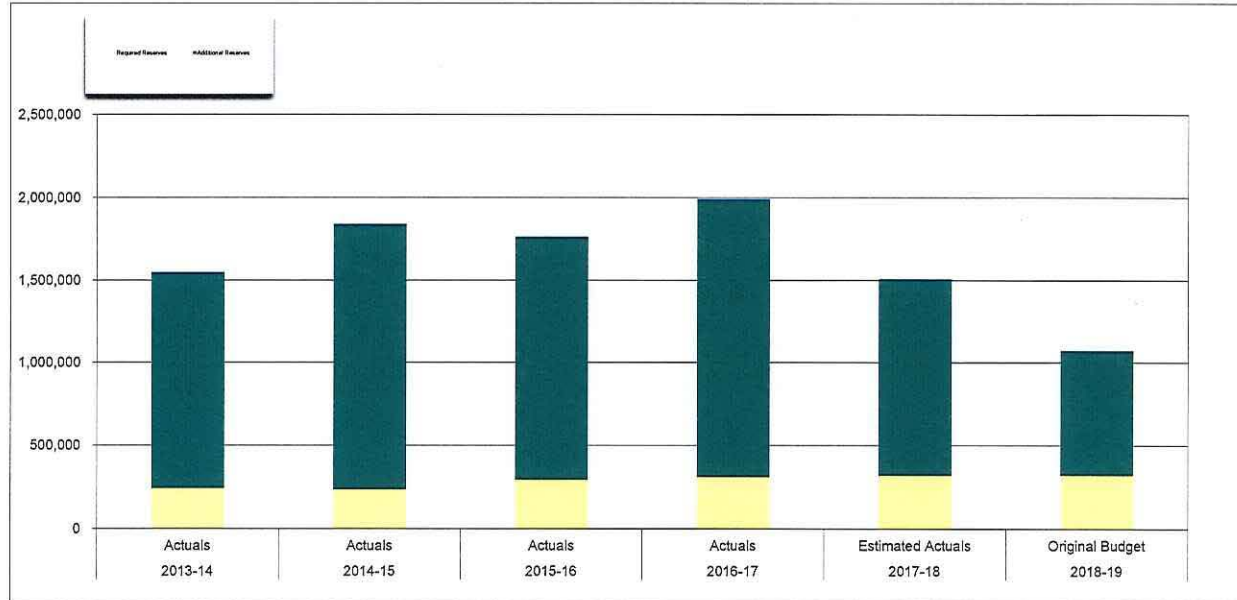
	2015-16	2016-17	2017-18	2018-19	Weighted
	Actuals	Actuals	Estimated Actuals	Original Budget	Averages
Unrestricted Revenues	5,412,113	6,800,631	6,419,939	6,478,791	1,009167
Unrestricted Salaries and Benefits	3,932,940	4,559,588	4,890,222	4,847,623	0.991289
Growth in Revenues between years		25.66%	-5.60%	0.92%	7.33%
Growth in Salaries/Benefits between years		15.93%	7.25%	-0.87%	7.27%



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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actuals	Actuals	Actuals	Actuals	Estimated Actuals	Original Budget
Required Reserves	242,628	234,065	292,609	309,356	319,511	320,574
Additional Reserves	1,305,750	1,605,423	1,468,949	1,680,651	1,188,628	751,751
Total	1,548,378	1,839,487	1,761,558	1,990,006	1,508,138	1,072,324



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.