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An Equal Opportunity
Employer

April 11, 2019

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

Subject: 2018-19 Second Interim Budget

Dear Mr. Slusser:

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 2018-19. 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. Current year projected Average Daily Attendance (ADA) is used to budget 2018-19 LCFF revenue with ADA projected to remain flat in the two subsequent years. LCFF revenue is increasing in 2018-19 due to increasing ADA as well as the full implementation of the LCFF. Non-LCFF revenues are projected to increase due in part to an increase in federal revenue as well as a new bus grant received in 2018-19. Salaries and benefits reflect step and column increases in each fiscal year. Overall, operating expenditures are increasing due to increasing personnel costs. Biggs Unified is projected to be 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 Second Interim 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 \$1.1 million in June 2019.

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 an area of concern. Deficit spending is projected in all three years of the MYP totaling \$730K. This deficit spending still exists even with 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 may need to rely on their Special Reserve for Non-Capital Outlay (Fund 17) and potentially their Special Reserve for Postemployment Benefits

"WHERE STUDENTS COME FIRST"

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(Fund 20) in order to meet the minimum reserve requirement.

BCOE also notes that Biggs Unified is preparing to undertake a large project to rebuild damaged bleachers at one of their school sites. While it is anticipated that insurance will cover the vast majority of these costs, the District recently authorized the use of a leaseback financing agreement as interim financing to start the project and to help with any overages. There could potentially be costs associated with this financing which are not currently reflected in the budget as the financing was obtained subsequent to the finalization of the Second Interim Budget. Any projected costs associated with the financing or the construction project should be reflected in future budgets.

Based on our review, the 2018-19 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) 532-5674.

Sincerely,



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

rj
FS-1819-074

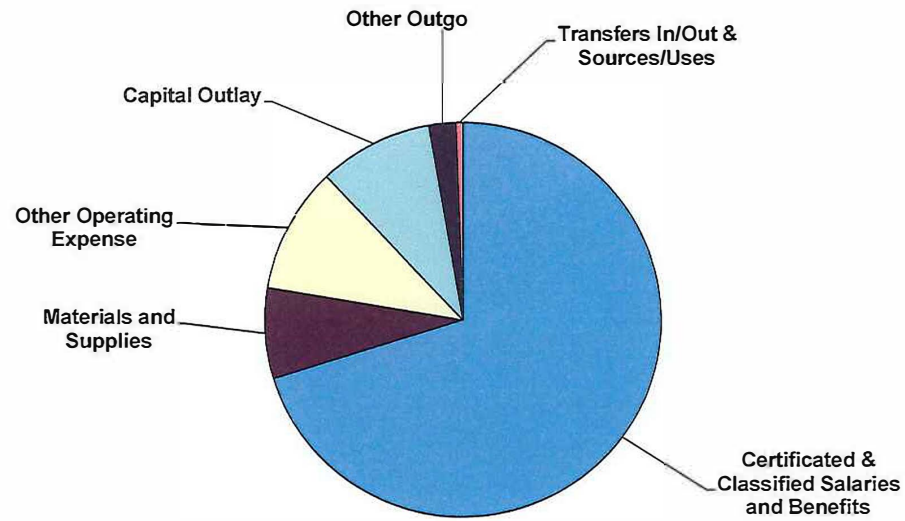
Cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Mary Sakuma, Butte County Superintendent of Schools
Lisa Anderson, Senior Director of Fiscal Services

Attachment

AB 1200 Data Analysis - General Fund

Biggs Unified	2016-17 Unaudited Actuals			2017-18 Unaudited Actuals			2018-19 Second Interim		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	3,434,187		3,434,187	3,436,846		3,436,846	3,789,096		3,789,096
State Aid - Prior Year	0		0	1,236		1,236	0		0
Charter Aid (included in State Aid)			0			0			0
Local Taxes	2,421,845		2,421,845	2,484,986		2,484,986	2,282,530		2,282,530
PERS Income(ended 12/13)			0			0			0
Charter In-Lieu Taxes	(15,575)		(15,575)	(18,666)		(18,666)	(19,107)		(19,107)
Total LCFF Revenue	5,840,457	0	5,840,457	5,904,402	0	5,904,402	6,052,519	0	6,052,519
Federal Revenue	3,013	453,222	456,235	2,709	353,374	356,082	6,775	575,225	582,000
Other State	287,394	637,288	924,682	339,848	567,703	907,551	642,340	735,404	1,377,744
Other Local	669,767	34,417	704,184	331,734		331,734	222,934		222,934
Total Revenues	6,800,631	1,124,927	7,925,558	6,578,693	921,076	7,499,769	6,924,568	1,310,629	8,235,197
Expenditures									
Certificated Salaries	2,335,460	277,854	2,613,314	2,452,563	353,637	2,806,200	2,504,979	426,800	2,931,779
Classified Salaries	990,106	291,311	1,281,417	1,013,202	296,223	1,309,425	1,065,365	308,829	1,374,194
Employee Benefits	1,234,022	354,504	1,588,526	1,291,489	419,219	1,710,708	1,380,591	453,409	1,834,000
Total Salaries & Benefits	4,559,588	923,669	5,483,257	4,757,254	1,069,079	5,826,332	4,950,935	1,189,038	6,139,973
Books and Supplies	501,428	157,560	658,988	329,469	129,193	458,662	483,686	165,774	649,460
Other Operating Expense	627,392	74,161	701,553	597,594	48,530	646,124	768,736	128,249	896,985
Capital Outlay	439,848	219,543	659,391	216,187	72,505	288,692	709,156	103,506	812,662
Other Outgo	0	201,648	201,648	0	184,135	184,135	0	190,109	190,109
Direct support/Indirect Costs	(64,160)	52,233	(11,927)	(55,421)	42,062	(13,359)	(82,142)	66,222	(15,920)
Total Expenditures	6,064,096	1,628,814	7,692,910	5,845,082	1,545,504	7,390,587	6,830,371	1,842,898	8,673,269
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	736,535	(503,887)	232,648	733,610	(624,428)	109,182	94,197	(532,269)	(438,072)
Transfers In			0			0			0
Transfers Out	40,985		40,985	94,985		94,985	65,242		65,242
Other Sources			0			0			0
Other Uses			0			0			0
Contributions to Rest. Program	(473,180)	473,180	0	(572,897)	572,897	0	(524,657)	524,657	0
Total Transfers and Other Uses	(514,165)	473,180	(40,985)	(667,882)	572,897	(94,985)	(589,899)	524,657	(65,242)
Total Outgo	6,578,261	1,155,634	7,733,895	6,512,964	972,608	7,485,572	7,420,270	1,318,241	8,738,511
Net Inc.(Dec.) to Fund Balance	222,370	(30,707)	191,663	65,728	(51,531)	14,197	(495,702)	(7,612)	(503,314)
Beginning Balance	1,173,871	109,695	1,283,566	1,396,241	78,988	1,475,229	1,461,967	27,457	1,489,424
Audit Adjustments/Restatements	0	0	0	(2)	0	(2)	1	1	2
Adjusted Beginning Balance	1,173,871	109,695	1,283,566	1,396,239	78,988	1,475,227	1,461,968	27,458	1,489,426
Ending Balance	1,396,241	78,988	1,475,229	1,461,967	27,457	1,489,424	966,266	19,846	986,112
For Economic Uncertainties	26,667	0	26,667	0	0	0	87,500	0	87,500
Other Available Reserves	361,465	0	361,465	1,459,967	0	1,459,967	878,766	0	878,766
Dedicated reserves	1,008,109	78,988	1,087,097	2,000	27,457	29,457	0	19,846	19,846
Other Funds	593,766		593,766	601,587		601,587	611,588		611,588
Required Reserves - 4%			309,356			299,423			349,540
Reserves as a %			12.70%			27.54%			18.06%

Where is the money spent?

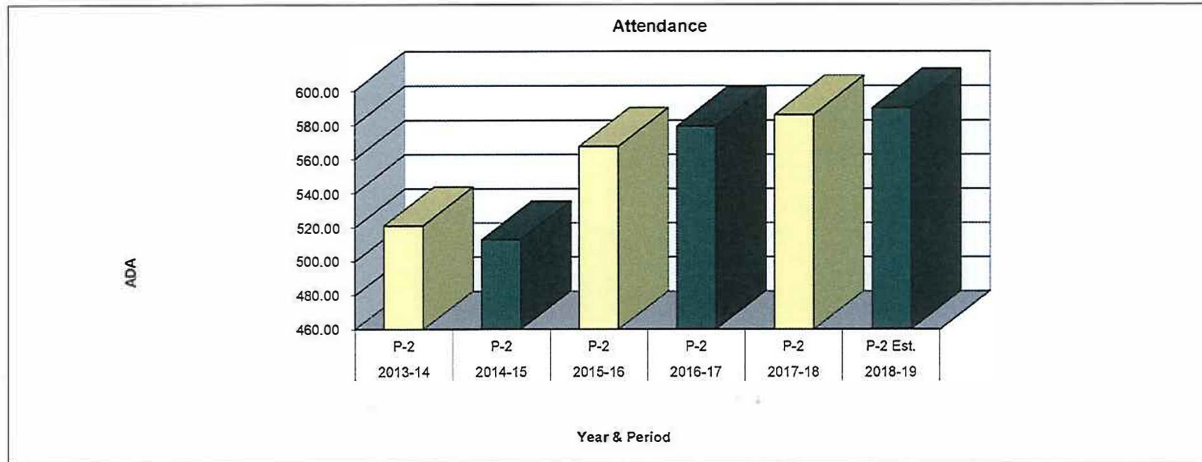


2018-19 Second Interim

Certificated/Classified Salaries and Benefits	6,139,973	70.26%
Materials and Supplies	649,460	7.43%
Other Operating Expense	896,985	10.26%
Capital Outlay	812,662	9.30%
Other Outgo	190,109	2.18%
Transfers In/Out & Sources/Uses	49,322	0.56%
Total	8,738,511	100.00%

P-2 ADA (Does not include charter school)

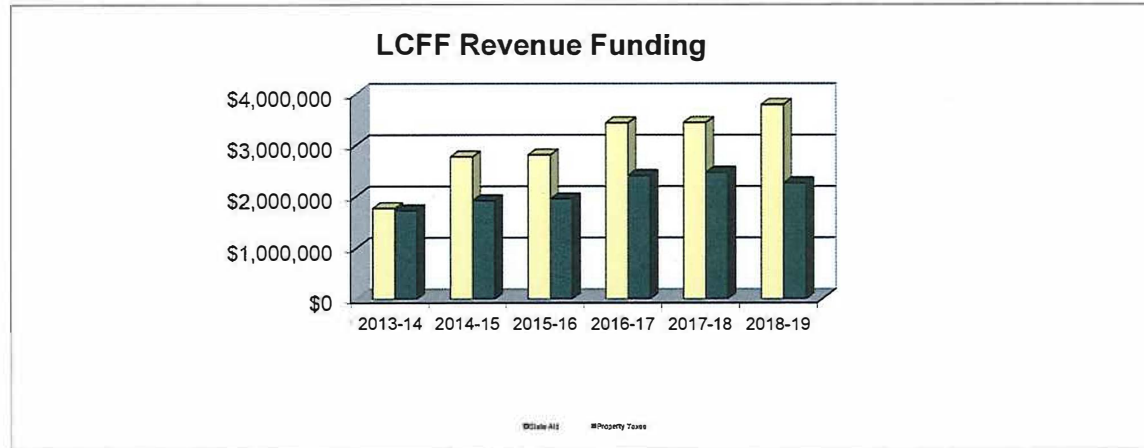
	2013-14 P-2	2014-15 P-2	2015-16 P-2	2016-17 P-2	2017-18 P-2	2018-19 P-2 Est.
P-2 ADA	521.16	512.99	567.43	579.38	585.92	590.00



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

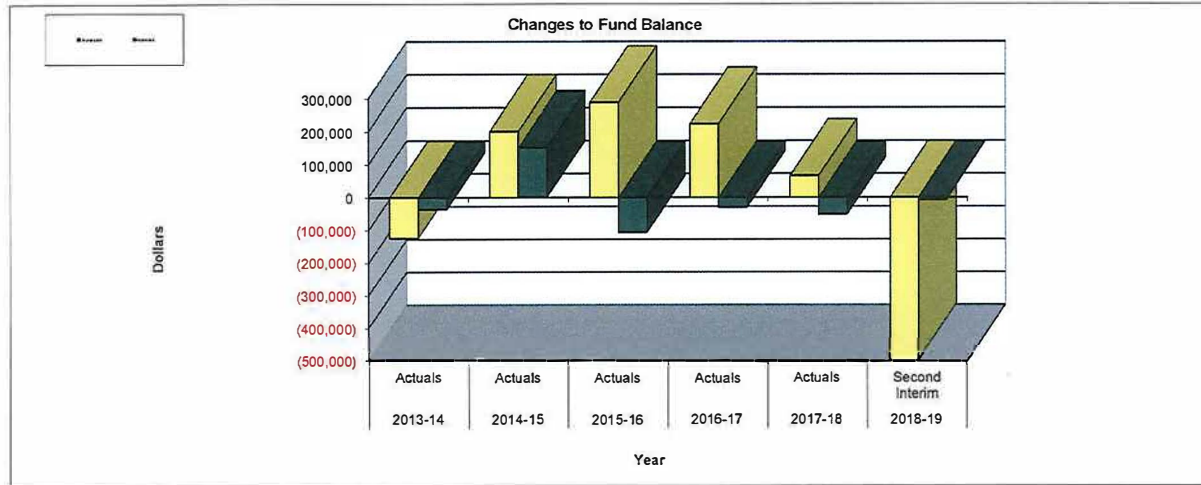
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actuals	Actuals	Actuals	Actuals	Actuals	Second Interim
State Aid	1,761,618	2,766,721	2,803,607	3,434,187	3,438,082	3,789,096
Property Taxes	1,719,990	1,915,430	1,949,827	2,406,270	2,466,320	2,263,423
Total	3,481,608	4,682,151	4,753,434	5,840,457	5,904,402	6,052,519
Percentages						
State Aid	51%	59%	59%	59%	58%	63%
Property Taxes	49%	41%	41%	41%	42%	37%



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.

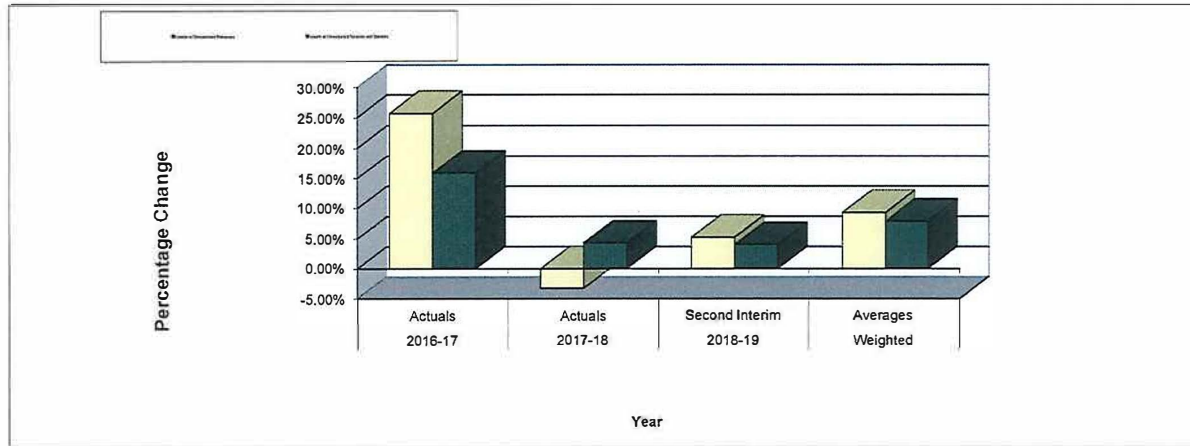
Changes to Fund Balance

	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Second Interim
Unrestricted	(123,178)	200,270	287,678	222,370	65,728	(495,702)
Restricted	(36,200)	151,455	(106,703)	(30,707)	(51,531)	(7,612)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

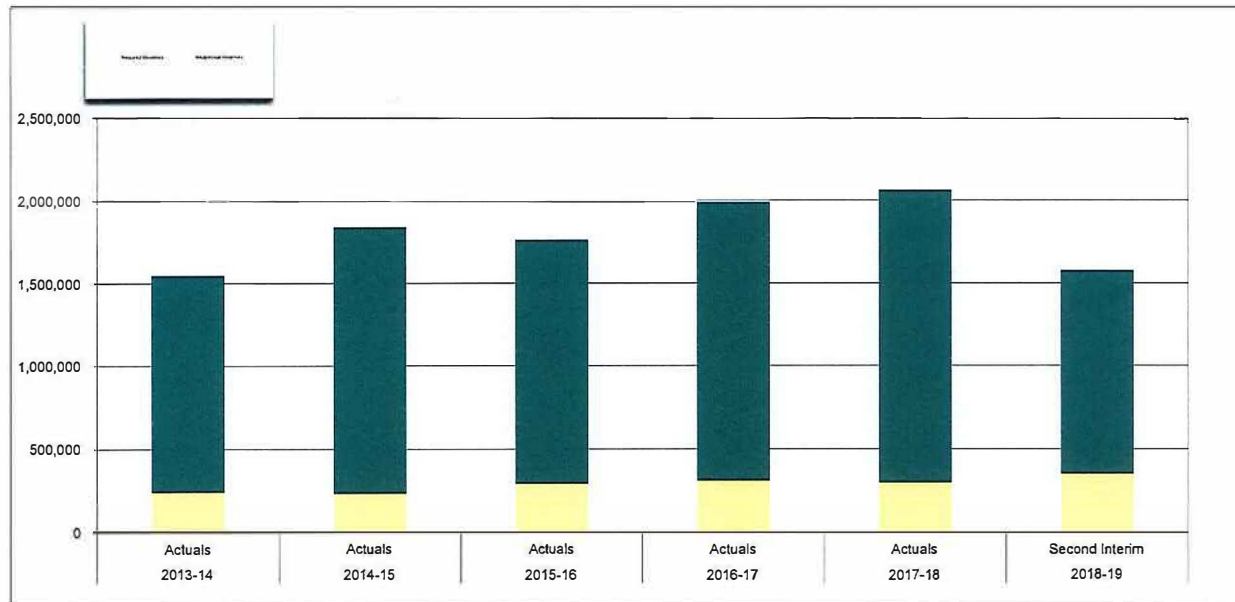
	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Second Interim	Weighted Averages
Unrestricted Revenues	5,412,113	6,800,631	6,578,693	6,924,568	1.052575
Unrestricted Salaries and Benefits	3,932,940	4,559,588	4,757,254	4,950,935	1.040713
Growth in Revenues between years		25.66%	-3.26%	5.26%	9.33%
Growth in Salaries/Benefits between years		15.93%	4.34%	4.07%	7.95%



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 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Second Interim
Required Reserves	242,628	234,065	292,609	309,356	299,423	349,540
Additional Reserves	1,305,750	1,605,423	1,468,949	1,680,651	1,764,131	1,228,314
Total	1,548,378	1,839,487	1,761,558	1,990,006	2,063,554	1,577,854



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.