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An Equal Opportunity
Employer

January 13, 2015

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

Subject: 2014-15 First Interim Budget

Dear Mrs. Wheeler:

In accordance with Education Code Section 42131, the Butte County Office of Education (BCOE) has reviewed the First Interim Budget Report of the Biggs Unified School District (BUSD) for fiscal year 2014-15. BCOE concurs with the district's positive certification indicating financial obligations will be met in the current and subsequent two fiscal years.

Starting in 2013-14, the Governor's Proposed Local Control Funding Formula (LCFF) was put in place and the previous funding model (Revenue Limit) is now gone. This is a huge departure from the prior funding methodology that had been in place for over 30 years. The LCFF consolidates most funding streams into one lump sum with all districts in the state receiving the same base grant per child, based on grade level. This means that programs such as Class Size Reduction and Economic Impact Aid are no longer classified as Categorical funds and are incorporated into the base grant of the new formula. The LCFF also includes additional funds (Supplemental and Concentration)(S&C) for students who are either English language learners, receive free and reduced meals or are Foster Youth. Although there is some disparity between districts with different student makeups, it is generally accepted that this new formula will help districts and provide for additional resources for the future. Along with the additional funds that will come from the LCFF, there is also additional responsibility in the form of the Local Control Accountability Plan (LCAP). This new process is intended to allow all constituents, including teachers, principals, administrators, other school personnel, local bargaining units of the school district, parents, and pupils in developing a local control and accountability plan. The purpose of this plan is to set a path for the future and to insure that programmatic goals work hand in hand with the district's fiscal resources.

The assumptions used to build the First Interim Budget and Multi-Year Projection (MYP) are reasonable. Average Daily Attendance (ADA) is based on prior year P-2 with future years reflecting flat ADA. Federal and state revenues are adjusted in subsequent years for one-time carryover and the loss of Forest Reserve funds. Expenditures in future years reflect step and column cost increases as well as increases to STRS and PERS 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 First Interim Budget. Major assumptions provided are reasonable. Cash preservation should

"WHERE CHILDREN COME FIRST"

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remain a focus with the administration, although the Governor has made it a priority to pay down the cash deferrals. BCOE notes a projected General Fund cash balance of \$1,060,849 in June, 2015.

There are a few areas of concern. The first is that the MYP indicates deficit spending of \$266k in 2014-15 and approximately \$400k in years 2015-16 and 2016-17. 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 been given a new timeline that expires in 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 Capital Advisors 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 First 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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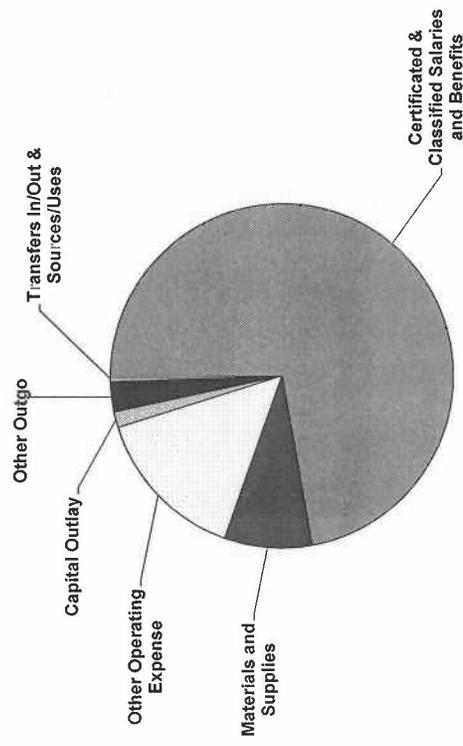
cc: Doug Kaelin, Superintendent, Biggs Unified School District
Pam Ragan, Financial Officer, Biggs Unified School District
Tim Taylor, Butte County Superintendent of Schools
Tad Alexander, Assistant Superintendent of Administrative Services
Lisa Anderson, Director of Fiscal Services

Attachment

Where is the money spent?

Certificated & Classifie	4,384,298
Materials and Supplies	502,370
Other Operating Expe	896,935
Capital Outlay	88,641
Other Outgo	169,827
Transfers In/Out & Soi	33,530

Where is the money spent?



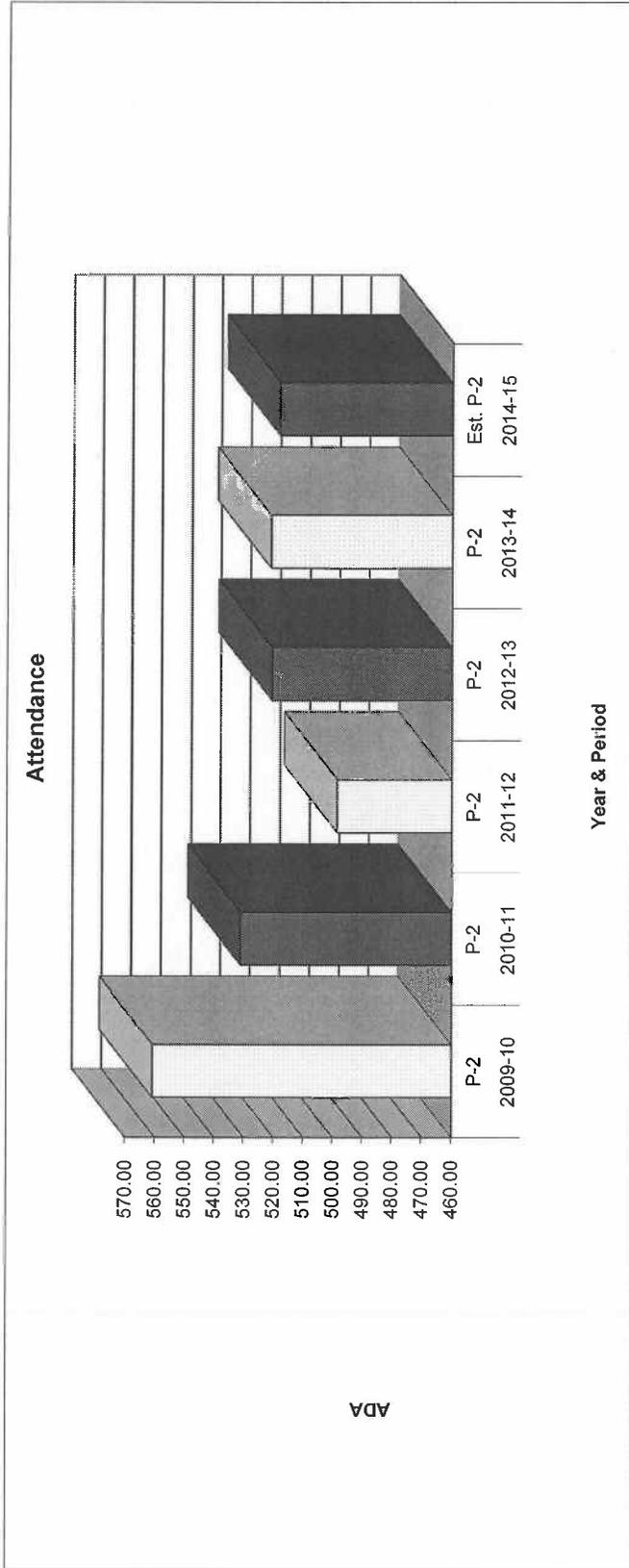
2014-15 Original Budget

Certificated/Classified Salaries and Benefits	4,384,298	72.16%
Materials and Supplies	502,370	8.27%
Other Operating Expense	896,935	14.76%
Capital Outlay	88,641	1.46%
Other Outgo	169,827	2.80%
Transfers In/Out & Sources/Uses	33,530	0.55%
Total	6,075,601	100.00%

P-2 ADA (Does not include charter school)

2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
P-2	P-2	P-2	P-2	P-2	Est. P-2
560.80	531.09	498.50	520.70	521.16	518.18

P-2 ADA



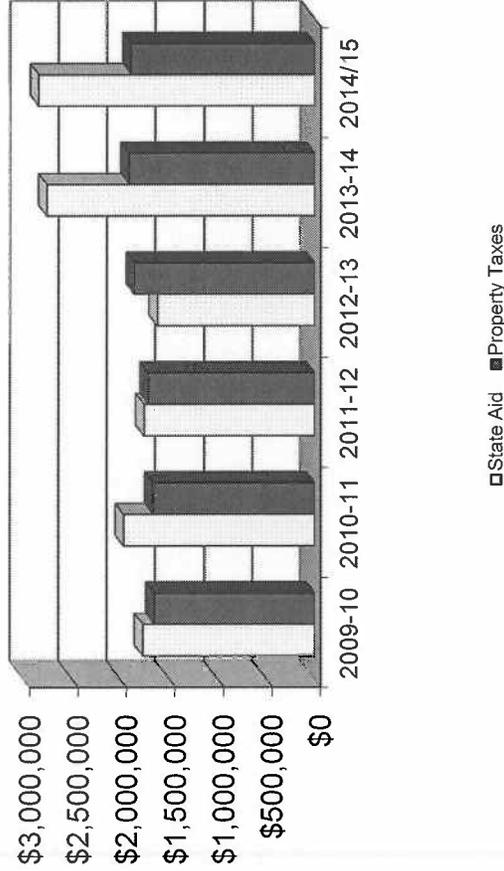
ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

LCFF Revenue Funding

	2009-10 Actuals	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Unaudited Actuals	2014-15 First Interim
State Aid	1,772,520	1,972,822	1,761,618	1,625,368	2,766,721	2,851,720
Property Taxes	1,656,084	1,670,273	1,719,990	1,858,353	1,915,430	1,898,484
Total	3,428,604	3,643,095	3,481,608	3,483,721	4,682,151	4,750,204

Percentages	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
State Aid	52%	54%	51%	47%	59%	60%
Property Taxes	48%	46%	49%	53%	41%	40%

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.

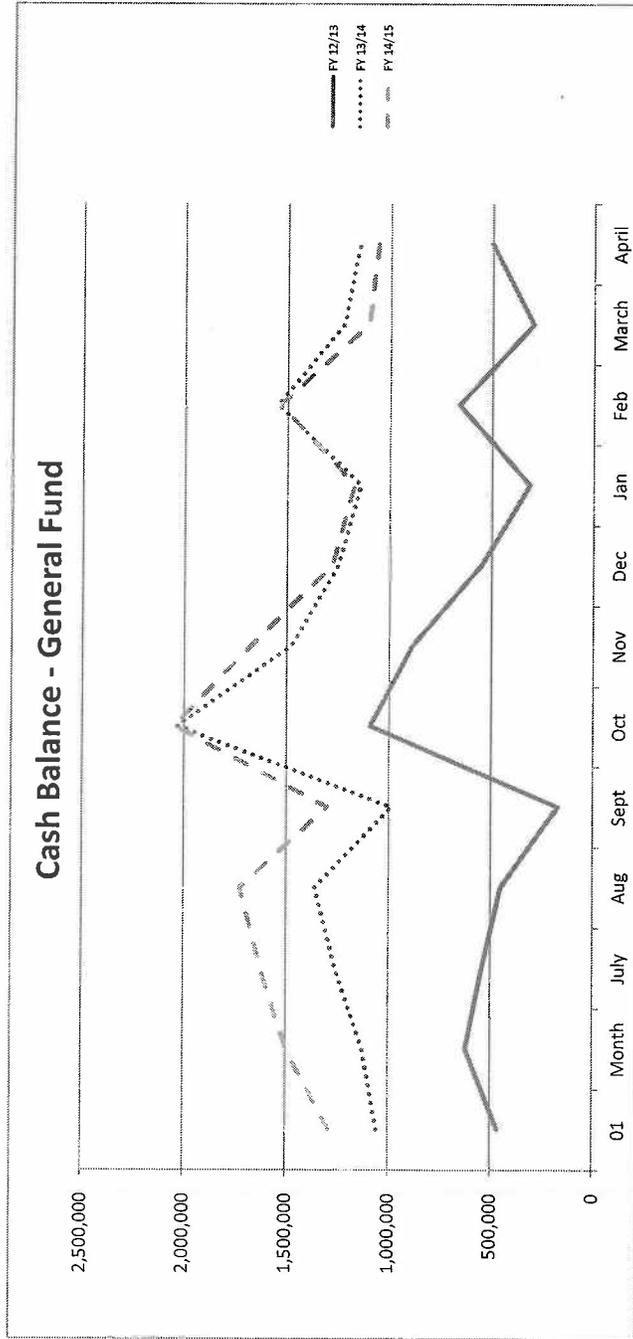
Cash Balance - General Fund

Estimated for 14-15

Fund 3520

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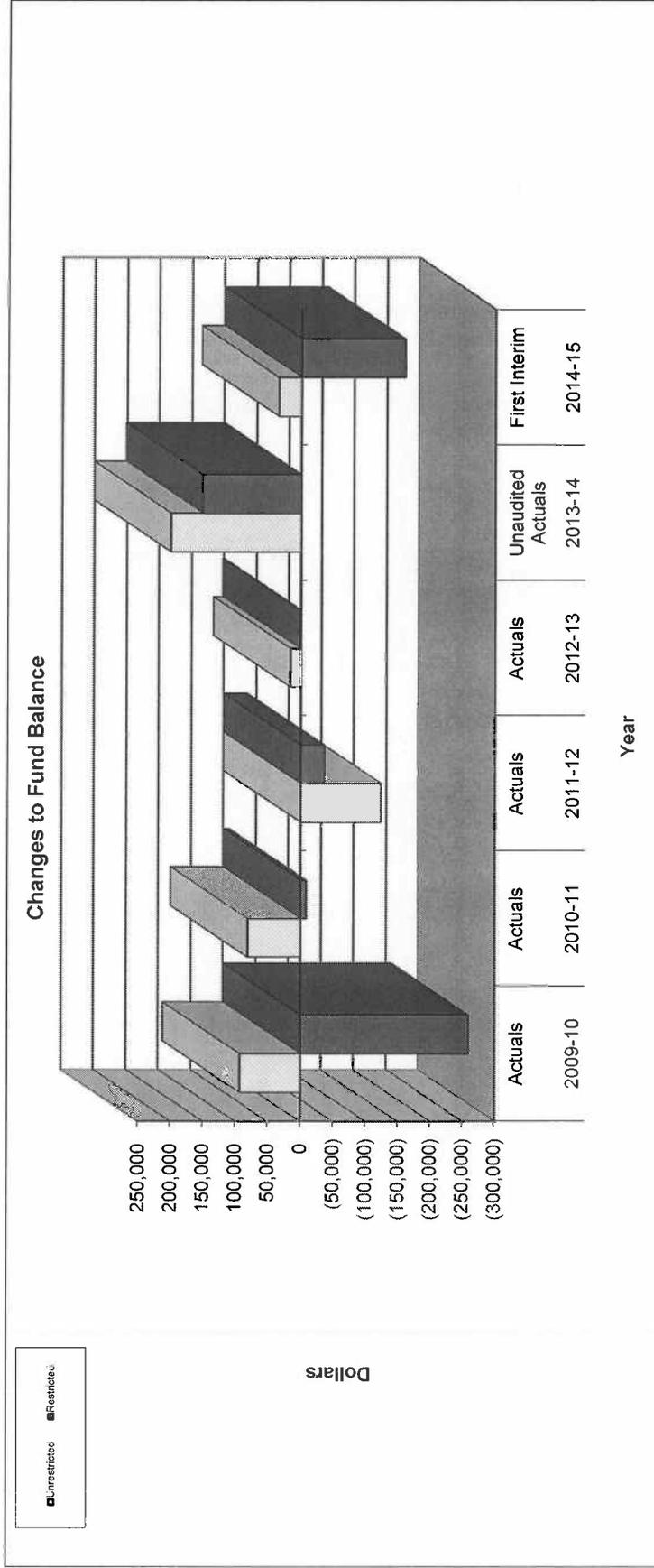
Month	FY 12/13	FY 13/14	FY 14/15
July	466,518	1,058,235	1,291,158
Aug	621,795	1,127,187	1,499,974
Sept	541,763	1,260,290	1,624,196
Oct	451,736	1,360,571	1,725,286
Nov	171,786	988,482	1,301,759 est
Dec	1,095,111	2,035,038	2,048,417 est
Jan	888,592	1,479,066	1,674,984 est
Feb	551,267	1,251,137	1,280,709 est
March	313,832	1,142,609	1,174,156 est
April	661,775	1,548,221	1,536,132 est
May	297,806	1,226,862	1,106,633 est
June	502,720	1,151,359	1,060,849 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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Unrestricted	92,651	80,829	(123,178)	15,864	200,270	34,526
Restricted	(259,021)	(8,267)	(36,200)	1,426	151,455	(159,047)



Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

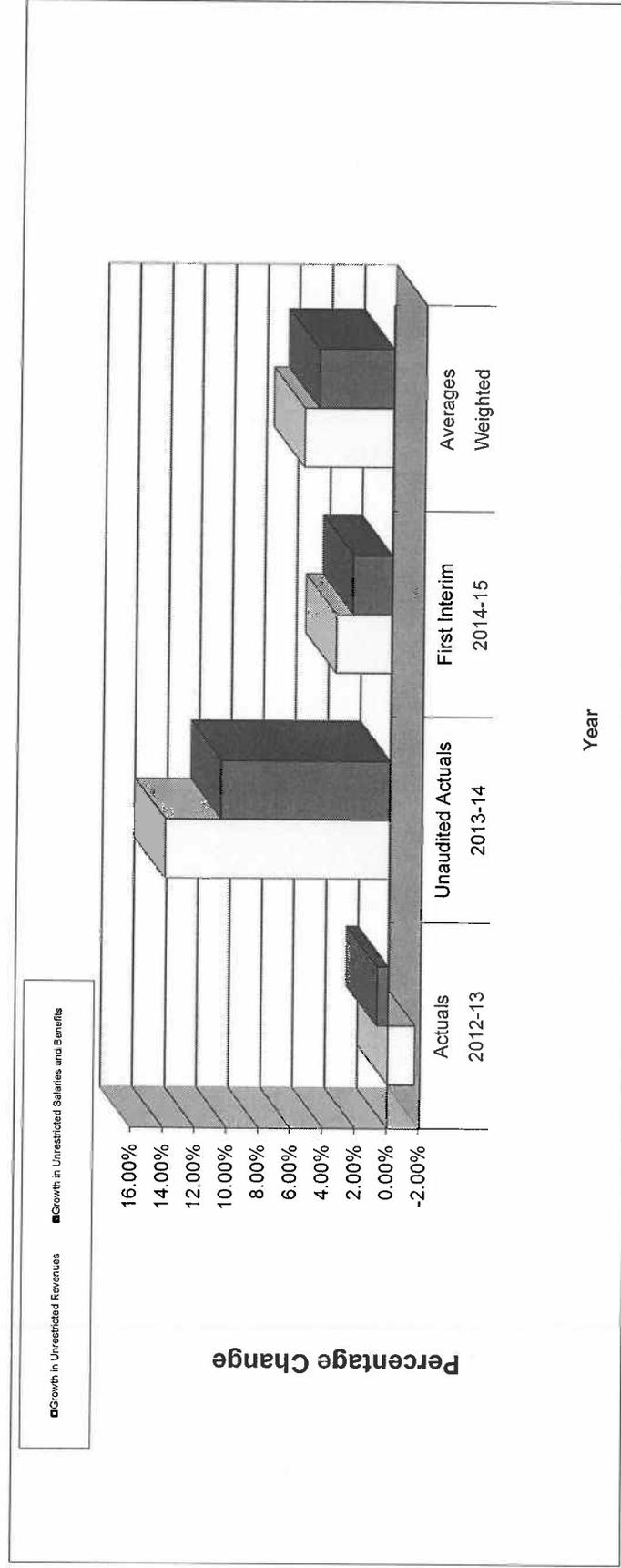
2011-12 Actuals	2012-13 Actuals	2013-14 Unaudited Actuals	2014-15 First Interim	Weighted Averages
4,648,463	4,569,888	5,210,228	5,389,134	0.732863
3,465,388	3,489,763	3,856,814	3,949,498	5.52%
	-1.69%	14.01%	3.43%	4.65%
	0.70%	10.52%	2.40%	

Unrestricted Revenues

Unrestricted Salaries and Benefits

Growth in Revenues between years

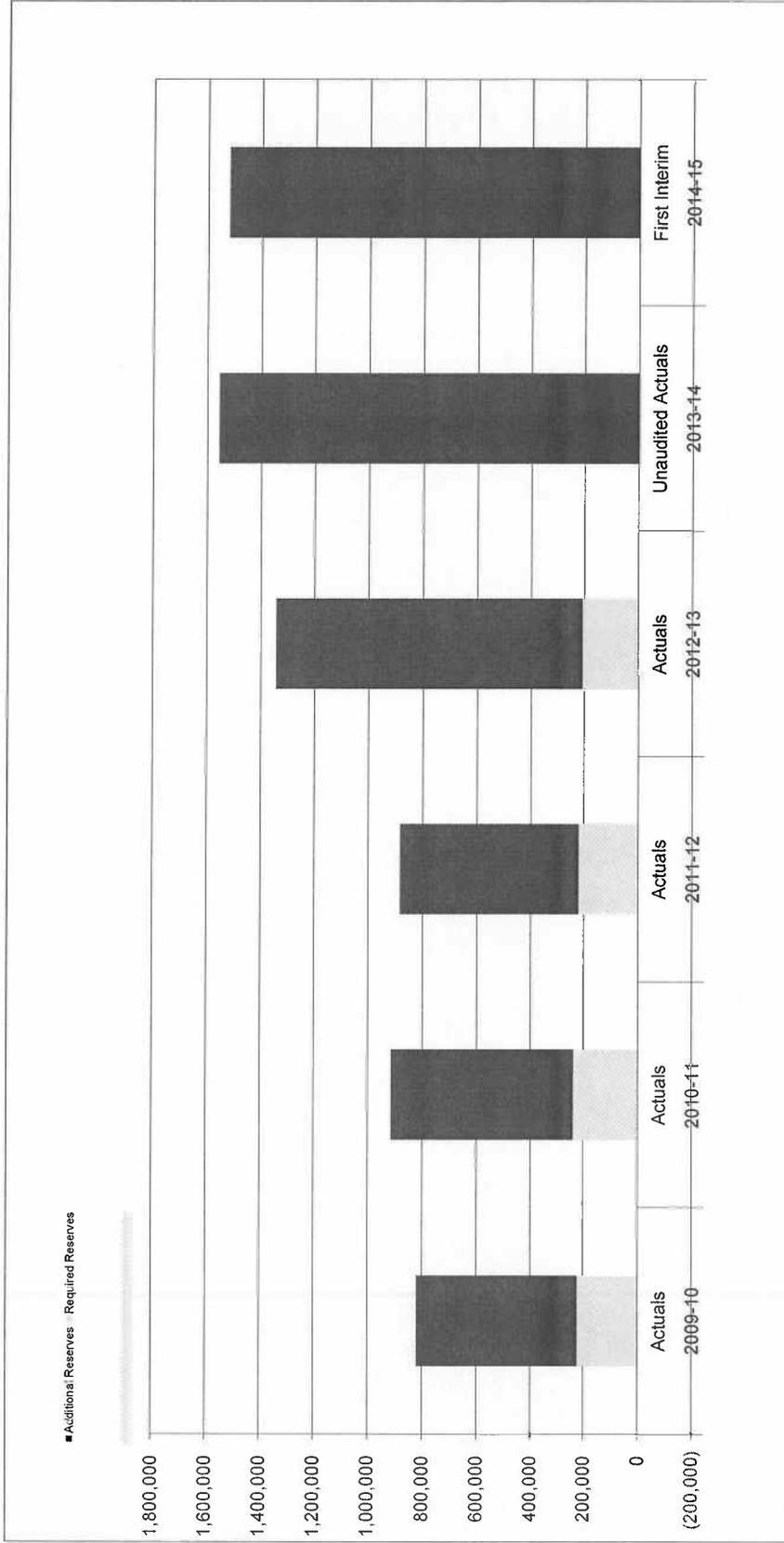
Growth in Salaries/Benefits between years



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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Required Reserves	223,762	240,015	220,954	208,405	(7,503)	0
Additional Reserves	596,090	675,010	662,547	1,134,613	1,555,881	1,520,757
Total	819,851	915,026	883,501	1,343,019	1,548,378	1,520,757



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.