



Action Item

TO: Board of Trustees and Superintendent
PREPARED BY: Patsy Thomas, Director Fiscal Services
PRESENTED BY: Stephen Dickinson, Assistant Superintendent Administrative Services
BOARD AGENDA ITEM: First Interim Report, Fiscal Year 2014-2015
BOARD MEETING DATE: December 10, 2014

BACKGROUND

Education Code sections 42130 and 42131, as amended by AB 1200, require each district superintendent to prepare and submit interim financial reports to the governing board so the governing board can certify to the County Superintendent of Schools, the State Controller, and the State Superintendent of Public Instruction whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year.

ADMINISTRATIVE DISCUSSION

The 2014-2015 First Interim Report includes budget activity through October 31, 2014. Administration will highlight all major topics of the First Interim Report as well as long-term financial planning issues at the December 10th meeting.

FISCAL IMPLICATION

None

RECOMMENDATION

It is the recommendation of the District administration that the Board of Trustees approve the 2014-2015 First Interim Financial Report and authorize the Superintendent or designee to sign the First Interim Financial Report School District Certification.

2014-2015 First Interim

The First Interim is based on current budget information which includes the second year of Local Control Funding Formula (LCFF). The funding rate increased from 28.06% at Adopted to 29.56% at First Interim. This increase along with increased enrollment and responsible staffing has resulted in a 2.5% on-schedule pay increase along with improvements to educational programs and facilities.

The District administration will continue to work with the Board of Trustees on maintaining a balanced budget and long-term financial stability.

I. Comments and Changes

- For the readers understanding of the various SACS reports, it is important to look at the headings, especially if they indicate unrestricted or restricted resources. The California School Accounting Manual (CSAM) prescribes certain accounting principles and practices specific to unrestricted and restricted programs/funding. Some of the reports combine unrestricted and restricted accounts and they are so labeled.
- The projected Reserve for Economic Uncertainties (REU), in Form 01 on page 2 under Projected Year Totals, amounts to \$8,089,144 which represents 5.09% of total budgeted expenditures and other outgo.
- Board Policy 3100 for 2014-2015 establishes a minimum reserve for economic uncertainty (REU) in the range of 3 – 5%. For clarity, 5% is not the maximum, but rather the upper end of the minimum range.
- Other Funds, Forms 11-73, are reported in the documentation for the First Interim Report. They include Cafeteria, Building, Capital Facilities, and Foundation Trust. All of these Other Funds are in a solvent budgeted status as of First Interim.
- The First Interim Report of Average Daily Attendance, Form A, is a reflection of the current ongoing district wide ADA/Enrollment status. We have conservatively budgeted for a half a percent increase in ADA.
- The actual and estimated cash flows, Form CASH, indicate the District will end the fiscal year in a positive cash position.
- The report of Criteria and Standards, Form 01CS, for the First Interim Report should allow the County Superintendent of Schools to approve the District's First Interim Financial Statement, once considered and approved by the Board of Trustees.

II. The First Period Interim Report – Methodology and Impact

Modifications included are: inclusion of unrestricted carry forward amounts and adjustments to reflect the previous fiscal year financial closing process.

The following schedule displays the change in projected balances, revenues and expenditures from the adopted budget.

<u>Unrestricted General Fund</u>			
<u>Summary of Balances, Revenue and Expenditures</u>			
	<u>Adopted Budget</u>	<u>First Interim</u>	<u>Changes</u>
Beginning Balance	\$ 7,696,821	\$ 7,889,116	\$ 192,295
Revenues	130,376,058	134,660,176	4,284,118
Other Financing Sources	5,357	6,515	1,158
	<u>130,381,415</u>	<u>134,666,691</u>	<u>4,285,276</u>
Expenditures	111,894,794	115,023,600	3,128,806
Transfers Out	666,049	788,078	122,029
Encroachment	17,031,567	18,304,790	1,273,223
	<u>129,592,410</u>	<u>134,116,468</u>	<u>4,524,058</u>
Excess/(Deficit)	789,005	550,223	(238,782)
Ending Balance	8,485,826	8,439,339	(46,487)
Reserves & Designated Balances	8,485,826	8,439,339	(46,487)
Undesignated Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

III. Forecast Ending Balance

Historically, actual year-end ending balances are more favorable than those forecasted during the fiscal year. While there is no assurance that the district will realize a higher ending balance as the year progresses, it is a possibility because of the district's conservative approach to budget development.

The components of the Ending Balance, as reflected in the schedule below, include a reserve for economic uncertainties, reserves for warehouse stores inventory and revolving funds and assigned.

Not included are restricted balances related to special programs and special education. The District budgets restricted programs to use all revenues and prior year carry forwards in the current budget year thru the next two years.

Since the Adopted Budget, the ending balance has decreased by <\$46,487>. The actual beginning balance was more than projected at adopted and the operating surplus was less than projected. This is due to an increase in revenue and an increase in expenditures.

<u>Unrestricted General Fund</u>			
<u>Components of the Ending Balance</u>			
	<u>Adopted Budget</u>	<u>First Interim</u>	<u>Changes</u>
Beginning Balance	\$ 7,696,821	\$ 7,889,116	\$ 192,295
Operating Surplus (Deficit)	789,005	550,223	<i>(238,782)</i>
Ending Balance	<u>8,485,826</u>	<u>8,439,339</u>	<i>(46,487)</i>
Reserve for Economic Uncertainties	7,486,821	8,089,144	602,323
Assigned	789,005	62,955	<i>(726,050)</i>
Revolving Cash Fund and Stores	210,000	287,240	77,240
Total Reserves and Designations	<u>8,485,826</u>	<u>8,439,339</u>	<i>(46,487)</i>
Undesignated Balance	-	-	0
Ending Balance	<u>\$ 8,485,826</u>	<u>\$ 8,439,339</u>	<u><i>\$ (46,487)</i></u>

The schedule below displays changes to the undesignated fund balance.

UNRESTRICTED GENERAL FUND UNDESIGNATED FUND BALANCE AT	Adopted Budget	0
<u>Items Contributing to the increase in Undesignated Fund Balance of</u>		
PY closing changes in the projected beginning balance at the adoption.	\$	192,295
Changes in LCFF Revenue		2,916,044
Increase in LCFF/Revenue Limit due to increase in projected ADA and increase in the funding rate from 28.06% to 29.56%.		
Changes in Other State Revenue		1,052,311
Increase is due to the Prior Year Mandated Cost one time revenue of \$996,130, increase in Lottery funds of \$119,115, transfer out of \$63,000 in BTSA revenue to correct account and misc. changes totaling <\$66.00>.		
Changes in Other Local Revenue		428,102
Increase is due to a one time Workers Compensation dividend from 1995-96 and 1996-97 of \$355,473, \$63,000 in BTSA revenue and \$9,629 in miscellaneous changes.		
Changes in Other Services/Operating Expenditures		489,331
The decrease in expenditures is mainly due to the reallocation of the DO LCAP budget from other services to supplies for the lap tops purchased with carryover		
Changes in Other Outgo Indirect		331,074
The increase in indirect to the general fund is mainly due to the California Career Pathways Trust grant (CCPT) and increases to other restricted programs		
Changes in Interfund Transfers In is due to an increase for the Pre GED program at Adult Ed.		1,158
Changes in Assigned		726,050
The decrease in assigned is due to the budgeting for the Future Board Adjustments and the increase in fund balance for the Educational Protection Act (EPA) that will be fully expended by year end which is a requirement through Prop 30.		
TOTAL INCREASE	(+)	6,136,365
<u>Items Contributing to the Decrease in Undesignated Fund Balance of</u>		
Changes in Federal Revenue		(112,339)
The decrease is due to an increase of \$17,661 in testing reimbursement and a decrease in Medical Administrative Activities (MAA) funded revenue of \$130,000 due to the delay in payments		
Changes in Certificated Salaries		(1,588,530)
The increase to Certificated salaries is mainly due to the 2.5% on schedule pay increase. Other areas of increase is the budgeting for a principal at Rancho Campana for half a year and an increase of 9.21 FTE over adopted.		
Changes in Classified Salaries		(563,703)
The increase is mainly due to the 2.5% on schedule pay increase.		
Changes in Benefits		(232,325)
The increase in benefits is due to the increases in certificated and classified salaries.		
Changes in Books and Supplies		(1,462,368)
The increase in books and supplies is due to the one-time Prior Year Mandated funds of \$996,130, budgeting carryover from LCAP for laptops of \$454,001 and miscellaneous revisions totaling \$12,237.		
Changes in Capital Outlay		(102,285)
Reallocate budgets for RMHS swimming pool sponsor sign, OHS WeatherBug, ACHS Storage Container, OHS Athletic equipment, 2 vehicles for IT and RMHS athletic lockers.		
Changes in Transfers Out		(122,029)
The increase in Transfers Out is mainly due to Food Service, \$119,638. This is due to over projecting revenue at adopted. The balance is miscellaneous changes for Dole Ranch lease and facility rental costs.		
Changes in Contributions		(1,273,223)
The increase in Contributions for Special Education \$560,017, is due to the 2.5% pay increase for certificated and classified employees. An increase of \$713,206 in Routine Restricted Maintenance is due to the 2.5% pay increase and projects that were approved at the adopted budget.		
Changes in Stores due to inventory adjustments		(77,240)
Increase for Economic Uncertainties due to increase in expenditures.		(602,323)
TOTAL DECREASE	(-)	(6,136,365)
Unrestricted General Fund Undesignated Fund Balance at	First Interim	(=) \$0

IV. Forecast Income

The total Unrestricted General Fund revenues are forecast to increase by \$4,285,276 due to the following changes:

LCFF Revenue: The net increase of \$2,916,044 is due to the increase in the funding rate of 28.06% to 29.56% and an increase to the estimated 2014-2015 ADA due to the increase in enrollment.

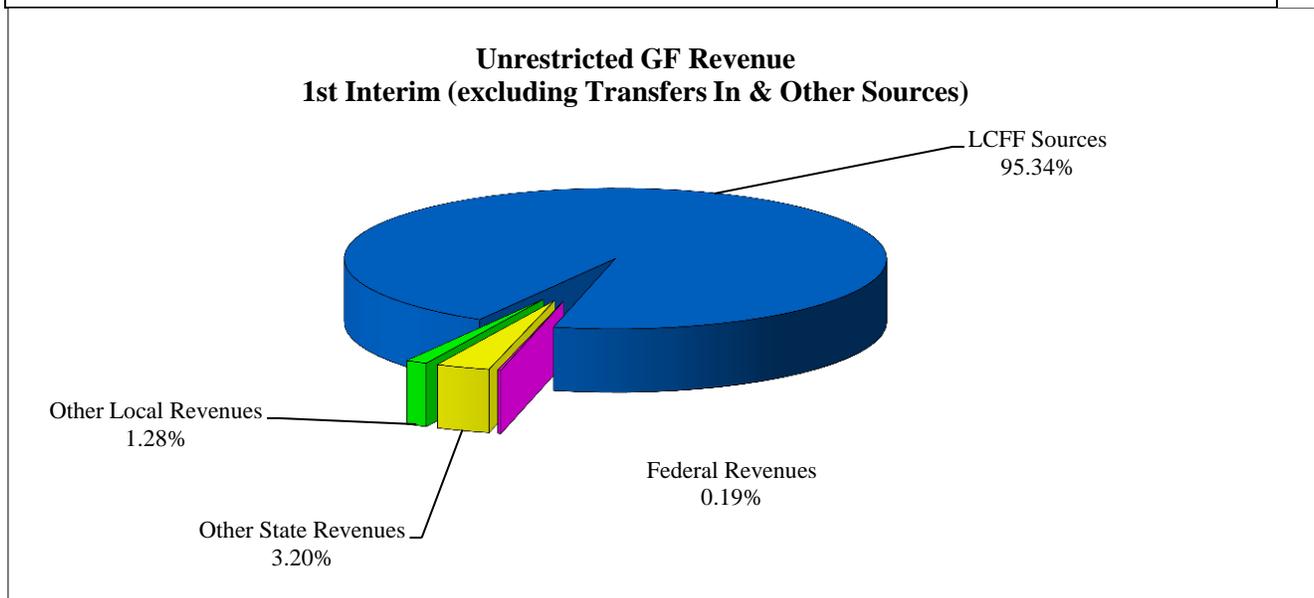
Federal Revenues: The net decrease of \$112,339 is due mainly to the uncertainty of receipt of the MediCal Administrative Activities (MAA) funding and an offset of an increase in testing fee reimbursement.

Other State Revenues: The net increase of \$1,052,311 is due to the one-time Prior Year Mandated funds, increase in estimated lottery funds and reclassification of BTSA funds.

Other Local Revenues: The net increase of \$428,102 is due to a workers compensation rebate from 1995-1996 and 1996-1997 and the reclassification of BTSA funds.

The following schedule displays revenue source.

Unrestricted General Fund Summary of Revenue			
Revenues	Adopted Budget	First Interim	Changes
LCFF Sources	\$ 125,462,631	\$ 128,378,675	\$ 2,916,044
Federal Revenues	364,523	252,184	<i>(112,339)</i>
Other State Revenues	3,260,087	4,312,398	1,052,311
Other Local Revenues	1,288,817	1,716,919	428,102
	<u>130,376,058</u>	<u>134,660,176</u>	<u>4,284,118</u>
Transfers In	5,357	6,515	1,158
Other Sources	-	-	-
Total Revenues	<u>\$ 130,381,415</u>	<u>\$ 134,666,691</u>	<u>\$ 4,285,276</u>



V. Forecast Expenditures

The total Unrestricted General Fund expenditures are forecast to be \$4,524,058 more than the adopted budget due to the following major changes:

The Certificated Salary projected increase in the amount of \$1,588,530 is due to the 2.5% on schedule pay increase, the principal for half a year at Rancho Campana, reclassification of 2 Deans to Associate Principals and an increase of 9.21 FTE over the adopted budget due to the increase in enrollment.

The Classified Salary projected increase in the amount of \$563,703 is due to the 2.5% on schedule pay increase, reclassification of Testing Technicians and Research and Accountability Technician from Title I to general fund, reclassification of Channel Islands High School Paraeducators and Guidance Technicians from Federal Programs to LCAP and additional Campus Supervisors based on staffing calculation.

The Employee Benefits projected increase in the amount of \$232,325 is a combination of the savings in the estimated increase in the employer STRS contribution at adopted of \$362,997, statutory benefit increase due to salary increases and increase in the workers compensation rate of .273% of \$369,753, increase in retiree benefits of 158,011 due to retirements after adopted budget and an increase in health and welfare of \$67,558 for the increase in costs over what was budgeted at adopted.

The Books and Supplies projected increase in the amount of \$1,462,368 is due to budgeting \$996,130 in Prior Year Mandated Cost funds, carryover funds from LCAP of \$454,001 for lap tops and \$12,237 in miscellaneous revisions.

The Other Services and Operating Expenditures projected decrease in the amount of \$493,331 is due to the reallocation of \$528,401 in LCAP and \$39,070 in miscellaneous revisions.

The Capital Outlay projected increase in the amount of \$102,285 is due to the budgeting of equipment at Oxnard High School in the amount of \$34,857 for a Weather Bug System, PAC projector and athletic equipment, \$13,258 for New Athletic Lockers at Rio Mesa High School, \$5,400 for Sponsor Board at Rio Mesa High School Pool, \$45,810 for 2 vehicles for IT and \$2,960 in miscellaneous revisions.

The Direct Support/Indirect Costs projected increase in the amount of \$331,074 is due to the budgeting of carryover and new restricted programs.

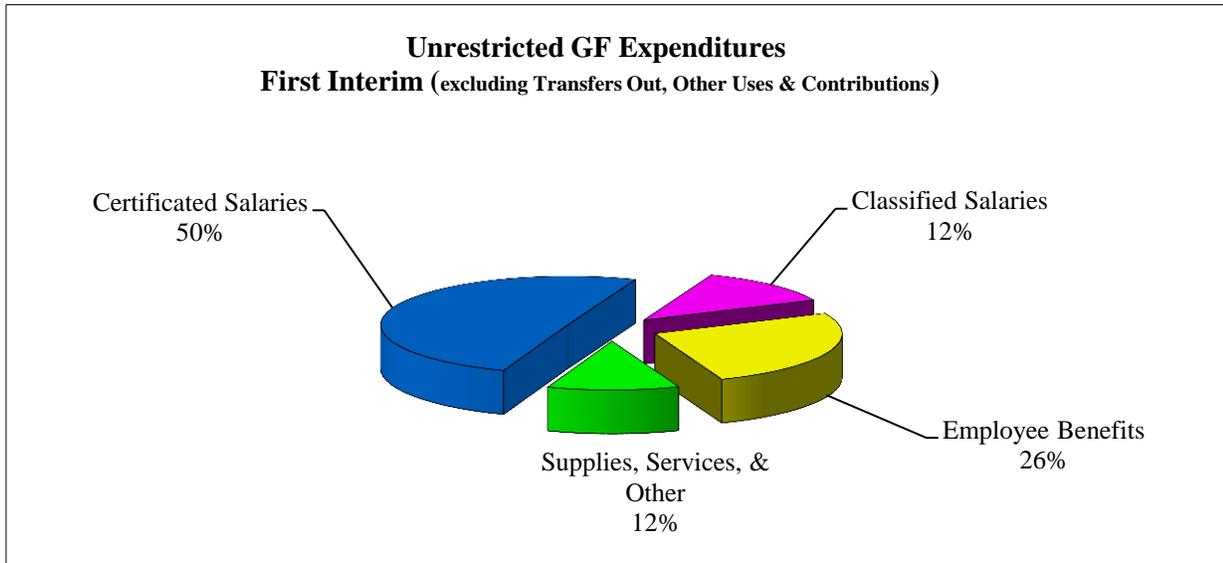
The Transfers Out projected increase in the amount of \$122,029 is due to the decrease in projected revenue for Food Service in the amount of \$119,638 due to the overestimating at adopted and \$2,391 for Dole Ranch Lease and Facility Rental.

The Contributions projected increase in the amount of \$1,273,223 is due to an increase to Special Education in the amount of \$560,017 attributed to the 2.5% on schedule pay increase for certificated and classified employees, \$713,206 in Routine Restricted Maintenance attributed to the 2.5% on schedule pay increase and projects that were approved by the Board at the adopted budget.

Categorical programs are budgeted and perpetually monitored to balance revenues to expenditures. Categorical programs are not included on this schedule.

The schedule below shows Unrestricted General Fund expenditures by type.

<u>Unrestricted General Fund</u>			
<u>Summary of Expenditures</u>			
Expenditures	Adopted Budget	First Interim	Changes
Certificated Salaries	\$ 56,310,491	\$ 57,899,021	\$ 1,588,530
Classified Salaries	13,570,227	14,133,930	563,703
Employee Benefits	29,703,288	29,935,613	232,325
	99,584,006	101,968,564	2,384,558
Books and Supplies	3,369,507	4,831,875	1,462,368
Services, Other Operating Expenses	8,913,766	8,424,435	(489,331)
Capital Outlay	165,344	267,629	102,285
Other Outgo (Excluding Support)	1,682,374	1,682,374	0
Direct Support/Indirect Costs	(1,820,203)	(2,151,277)	(331,074)
	111,894,794	115,023,600	3,128,806
Transfers-out	666,049	788,078	122,029
Encroachment	17,031,567	18,304,790	1,273,223
Total Expenditures	\$ 129,592,410	\$ 134,116,468	\$ 4,524,058



VI. Contributions to Restricted Programs

The following table shows Unrestricted General Fund support to restricted programs.

Unrestricted General Fund
Summary of Contributions from Unrestricted Revenue

	<u>Adopted Budget</u>	<u>First Interim</u>	<u>Changes</u>
Special Education	13,826,792	14,386,809	560,017
Routine Restricted Maintenance	3,204,775	3,917,981	713,206
Total Support	<u>\$ 17,031,567</u>	<u>\$ 18,304,790</u>	<u>\$ 1,273,223</u>

VII. Multi-Year Projection

The multiple year projection, Form MYP1 for both unrestricted and restricted funds, document that the District will be able to meet Board Policy 3100 and the specified future year's obligations for 2015-2016 and 2016-2017. District administration will be working with the Board of Trustees after the Governor's 2015-2016 Budget is released in January 2015. Budget plans, with appropriate contingencies, will be developed to ensure that the district maintains financial stability.

VIII. Summary

The Ventura County Office of Education (VCOE) oversees the budgeting process of OUHSD and the other school districts within Ventura County. Each year VCOE provides its school districts with several common messages regarding budgeting that should be considered, including:

- Although 2014-15 is now the 2nd year of LCFF implementation, the fiscal operating environment for districts remains somewhat uncertain, and each district must address its own unique set of risk factors in determining budget priorities and creating multi-year projections.
- The precise level of LCFF funding provided in any given year is subject to economic conditions as well as political decisions by the Governor and Legislature.
- The LCFF entitlements are dependent on shifting unduplicated eligible pupil counts, as well as ADA, which adds a level of complexity to revenue forecasting that was not present under the revenue limit system.
- Future expenditure uncertainty includes changing requirements as a result of LCAP development.
- Additional future expenditure uncertainty includes changes in legislative mandates such as STRS, PERS, OPEB, Affordable Care Act and the Healthy Families Act.
- The requirement to restore Routine Restricted Maintenance to the 3% minimum level returns in 2015-16.
- Reserves and fiscal flexibility are necessary to protect the integrity of the educational program in an unpredictable operating environment. Achieving this level of flexibility will require districts to build trust among constituents through clear, ongoing, and transparent communications regarding the general uncertainty and the unique situational challenges facing the district.

VIV. Recommendation

The staff recommendation is to approve the 2014-2015 First Interim Report and therefore certify to the County Superintendent of Schools that the Oxnard Union High School District will have a minimum Reserve for Economic Uncertainties of 3%; a positive cash balance as of June 30, 2015; will be able to meet current fiscal year obligations; and will be able to meet future years financial obligations 2015-2016 and 2016-2017.