

Eastside Union School District



FIRST INTERIM REPORT

2017-18



BOARD APPROVED

December 6, 2017

Eastside Union School District

2017-18 First Interim Report
December 6, 2017

- District Enrollment
- General Fund Summary
 - Revenues
 - Expenditures
 - Revenues vs. Expenditures
- Change in Fund Balance
- Components of the Ending Balance
- Multi-Year Projections
- What Next?

District Enrollment

	<u>July 1, 2017</u>	<u>First Interim</u>
Enrollment	3,450	3,463
ADA	3,261 <small>(94.5)</small>	3,335 <small>(96.3%) *</small>
Additional ADA		74
Additional Revenue		\$591,778

* 1% increase in ADA = \$328,766 in revenue

General Fund Summary

Revenues

	<u>July 1, 2012</u>	<u>First Interim</u>
LCFF	\$33,041,496	\$31,918,810 **
Federal	1,873,291	1,873,291
Other State	1,131,000	1,665,237
Local	2,272,300	2,272,300
Total	<u>\$38,318,087</u>	<u>\$37,729,638</u>
	Decrease	\$ 588,449

** Prior Year LCFF overpayment \$ 1,122,686

General Fund Summary (continue)

Expenditures

	<u>July 1, 2017</u>	<u>First Interim</u>
Certificated	\$16,513,628	\$15,380,738
Classified	4,728,654	5,014,018
Employee Benefits	8,924,217	8,515,159
Books & Supplies	2,448,755	2,611,665
Services & Operating	4,503,897	5,564,678
Capital	290,800	184,800
Other Outgo	388,000	387,000
Total	<u>\$37,797,952</u>	<u>\$37,658,408</u>
	Decrease	\$ 139,544

General Fund Summary (Continue)

Revenues vs. Expenditures

	<u>July 1 2017</u>	<u>First Interim</u>
Revenues	\$38,318,087	\$37,729,638
Expenditures	\$37,797,962	\$37,658,408
Excess	\$ 520,135	\$ 71,229
Transfers out	\$ (600,000)	\$ (100,000)
Fund Balance Inc/Dec	\$ (79,864)	\$ (28,770)

Change In Fund Balance

	<u>July 1 2017</u>	<u>First Interim</u>
Beginning Balance	\$ 5,642,288	\$ 5,642,288
Increase (Decrease)	(79,864)	(28,770)
Fund Balance	\$ 5,562,423	\$ 5,613,518

Components of Fund Balance

Ending Fund Balance	\$ 5,613,518	(14.9%)
Restricted Reserve (3.3%)	\$ 1,261,148	
Assigned (1.6%)	\$ 600,000	
E-Rate Project	\$ 425,000	
Textbook Adoption	\$ 175,000	
Economic Uncertainties (10%)	\$ 3,752,369	

Multi-Year Projection

	<u>2018-19</u>	<u>2019-20</u>
Revenues	\$40,042,334	\$40,974,958
Expenditures	39,945,656	40,865,656
Projected Increase	\$ 96,678	\$ 109,302

What's Next ?

- January 2018
 - Audit Report
 - Governor's Proposed 18-19 Budget
- February 2018
 - Budget Advisory Committee Work Sessions
 - Board Work Sessions

Executive Summary

Introduction

The First Interim Report is the first mandated review of the District's budget since its adoption in June 2017. Required by AB 1200, it reports the District's financial position through the first reporting period, which ends October 31 of each fiscal year.

After reviewing the Interim Report for the General Fund, AB 1200 requires that the Board of Trustees certify the District's financial position to the State in one of three ways:

- **Positive Certification** - stating that the District will be able to meet its financial obligations for the current fiscal year and two subsequent fiscal years, or
- **Qualified Certification** - stating that the District may not meet its financial obligations for current fiscal year and two subsequent fiscal years, or
- **Negative Certification** - stating that the District will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal years based upon current projections (not meeting reserves in the current year or negative fund balance in any year).

The County office of Education (COE) reviews all interim reports. If the district has certified the interim report as positive, the COE can change the certification to qualified or negative if it determines that it is not the appropriate certification.

If the district has certified the interim report as qualified or negative, the COE must provide a report to the State Controller's Office (SCO) and the state Superintendent of Public Instruction within 30 days from the time the district submits the interim report to the COE.

For this **First Interim** reporting period Staff is requesting the Board approve a **Positive Certification**.

In preparation of the 2017-18 First Interim Report we utilized the information provided by Los Angeles County Office of Education. A summary of budget assumptions are as follows:

Budget Assumption:

- State funding for 2017-18 LCFF is reflected with statutory COLA's for all three years, 1.56%, 2.15%, and 2.235 respectively.
- Mandated Block Grant projected at \$30.34 per ADA for all years
- Total Lottery Revenue projected at \$189, \$194, and \$194 per ADA respectively
- Net Revenue decrease of \$588,449 since the adopted Budget
- Projected P2 ADA of 3,275 represents an increase of 14 over prior year P-2 ADA
- Step and column increases for all staff are included.
- CalSTRS cost increased all 3-years 14.43%, 16.28%, and 18.13% respectively
- CalPERS cost increased all 3-years 15.53%, 18.1% and 20.8% respectively
- Routine, Restricted, and Maintenance (RRM) contribution is \$779,199 projected to be fully funded.
- Net Expenditures decreased by \$139,544.

First Interim Report other considerations

- Final debt repayment for buses in 2017-18
- Additional Gap Funding – N/A
- No anticipated cash shortages for FY 2017-18 --- District will submit updated resolution to allow inter-fund borrowing.
- District does not anticipate the need for TRAN's financing
- Education Protection Account (EPA) funding of \$ 4,033,881 earmarked for teacher salaries
- District will maintain K-3 Class Size at or below 24-1
- Negotiations – Classified Bargaining Group settled all cost included in all three years – Certificated Unsettled as of December 1, 2017
- Educator Effectiveness Plan – N/A

Projected Ending Balance

Projected Balance decreased by an additional amount of \$414,112. The total amount of deficit spending is directly related to prior year State LCFF payments (obj. 8019). In future years this deficit will be eliminated by refining revenue estimates that account for the required prior year adjustments

The projected balance of \$4,352,369 represents 11% of total General Fund expenditures. The District continues to maintain a strong reserve for Economic Uncertainties

District's Funds and Financial Results

The District's accounting, referred to as Governmental Accounting, is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities attaining certain objectives in accordance with special regulations, restrictions, or limitation. Fiscal year 2017-18, the District maintained a total of ten funds; the following is a summary of each fund;

GENERAL FUND (Fund 01)

This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund. In the General Fund all revenues and expenditures are accounted for based on two categories Unrestricted and Restricted.

General Fund Unrestricted: This is to account for those projects and activities that are funded with unrestricted revenues.

General Fund Restricted: This is to account for those projects and activities that are funded by external revenue sources that are legally restricted or restricted by the donor to specific purposes.

General Fund Revenues

\$37,729,638

(Unrestricted \$35,856,347; Restricted: \$1,873,291)

Local Control Funding Formula LCFF (Object 8010-8099): \$31,918,810 (Unrestricted)

This represents 84.6% of the total projected general fund revenues and the prime revenue component of the District's total revenue source. The LCFF replaced the Revenue Limit Formula in 2013-14. The formula includes funding for K-3 CSR, with the strict requirement of not going over the average of 24 students per classroom in all K-3 classrooms, Home to School Transportation, TIIG, and additional funding called Supplemental and Concentrated Grants for unduplicated pupil count of English Learners, Low Income and Foster Youth students

Federal Revenue (Object 8100-8299): \$1,873,291 (Unrestricted \$32,500; Restricted \$1,840,791)

This represents 5% of the total projected general fund revenues. This amount includes funding for MAA, Special Ed., and No Child Left Behind (NCLB) which includes Title 1, Title 2, Title 3 and Medi-Cal Reimbursement.

Other State Revenue (Object 8300-8599): \$1,665,237 (Unrestricted \$967,000; Restricted \$698,237).

This represents 4.4% of the total projected general fund revenues. This includes the \$20,000 funding for Prop 39 Clean Energy Jobs Act grant. Lottery funding has been calculated based on 2016-17 ADA (Average Daily Attendance) at a rate of \$146 per ADA unrestricted and \$48 for restricted. Additional restricted revenues are ASES (After School Educational Services), and AB602 special education funding.

Other Local Revenue (Object 8600-8799): \$2,272,300 (Unrestricted \$485,300; Restricted \$1,787,000)

This represents 6% of the projected total general fund revenues. It's a small portion of the entire District's revenue source. The unrestricted portion includes Interest Income, Donations, and Sale of Equipment. The restricted portions included site specific or program donations and transfers from Special Education SELPA.

Contributions (Object 8980-8999): \$5,118,679

Transfers will be made from Unrestricted to Rerestricted Special Education, Home to School Transportation, and Routine Repair & Maintenance.

General Fund Expenditures

\$37,658,408

Salaries (Object 1000-2999) \$20,394,756

Salaries include both certificated and classified account for 54% of the general fund projected expenditures.

Benefits (Object 3000-3999) \$8,515,159

This classification is to account for employers' contributions to retirement plans (State Teachers' Retirement System, and Public Employees' Retirement System), Health and Welfare benefits, and the payroll related statutory costs such as Workers' Compensation, State Unemployment Insurance, FICA, and Medicare. It is projected to be 22.6% of the total general fund expenditures.

Projected total employees compensation for FY 2017-18, represents about 76.6% of our total expenditures.

Books and Supplies (Object 4000-4999) \$2,611,665

Projected dollars expended for books and supplies, other reference materials, and non-capitalized equipment for FY 2017-18. It represents about 6.9% of the total expenditures. The major expenditures are for approved textbooks and core curricula materials; non-capitalized equipment such as computers, laptops, software, printers, and projectors. The rest will be spent on books and other reference materials, and supplies such as office and school supplies and printing.

Services and Other Operation Expenditures (Object 5000-5999) \$5,564,678

This is to account for expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, legal and other operating expenditures. It is projected to be about 14.7% of the total expenditures. The major expenditures were for our property and liability insurance with SIRMA II (Self-Insurance Risk Management Agency), Utilities, Legal, Consulting and Professional Development related costs and Home to School Transportation.

Capital Outlay (Object 6000-6999) \$184,800

This is to record expenditures for equipment, capitalized intangible capital assets such as computer software.

Other Outgo (Object 7100-7499) \$387,350

This is used for Special Ed.'s Regionalized Programs payments and Out of Home Costs to other school districts, SELPAs, and providers.

Inter-fund Transfers (Object 7600-7699) \$100,000

This accounts for the on-going transfer/contribution to Deferred Maintenance

OTHER FUNDS

CHILD NUTRITION FUND (Fund 13)

This fund is used to account for both state and federal Child Nutrition revenues and other related local revenues. Projected revenues equal \$2,516,554 with cost to run the program projected to be \$2,593,554. The fund balance is projected to decrease by \$77,000; ending fund balance will be \$652,742.

DEFERRED MAINTENANCE FUND (Fund 14)

This fund is used to account the District's contribution for deferred maintenance purposes. Total revenues received are projected to be \$100,200. Total expenditures projected at \$30,000 with a projected ending fund balance of \$70,200

SPECIAL RESERVE-OTHER THAN CAPITAL OUTLAY PROJECTS (Fund 17)

This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay. The projected ending fund balance is \$0.

CAPITAL FACILITY FUND (Fund 25)

It is known as Developer Fees money. This fund is used to account for monies received from fees levied on developers or other agencies as a condition of approving a development. The Interest earned in this fund is restricted to this fund. The expenditures in this fund are restricted to the purposes specified in agreements with the developer or specified in Government Code. The fund showed total projected revenues in the amount of \$21,000 including interest income. The expenditures are projected to be \$201,505 primarily for debt service covering the District's 2003 QZAB 2003 financing. The projected ending fund balance \$513,100

COUNTY SCHOOL FACILITIES FUND (Fund 35)

This fund is used primarily to account separately for state apportionments for the State School Facilities Fund which includes Hardship funding. The district built its fifth school Enterprise Elementary which opened in 2014-15 school year. The ending fund balance of \$2,230 is projected to be zero by the end of the fiscal year.

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS (Fund 40)

This fund is used primarily to provide for the accumulation of general fund dollars for capital projects and equipment. Funds are earmarked for future new facilities as a match to secure State or Mello Roos financing. In addition funds will also support new Technology expenditures for equipment and infrastructure. The projected ending fund balance is \$3,415,162

CAPITAL PROJECT FUND FOR BLENDED COMPONENT UNITS (Fund 49)

This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts. The Mello-Roos Community Facilities Act of 1982 allows the District to establish a CFD upon approval of 2/3 of the voters in the District. A CFD is for the purpose of selling tax-exempt bonds to finance public improvements and services. This fund is used to account for new Facilities related expenditures. The projected ending fund balance is \$18,039.

DEBT SERVICE FUND FOR BLENDED COMPONENT UNITS (Fund 52)

This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facility District. The total projected revenues of \$176,000 represented taxes and interest income. The ending balance is \$692,466.

SPECIAL RESERVE FUND FOR POSTEMPLOYMENT BENEFITS (FUND 71)

It was known as GASB 45, OPEB money. This fund may be used pursuant to Education Code Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan. The interest income for the year is projected at \$500. The projected ending fund is \$585,296.

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: Melinda Jagg
District Superintendent or Designee

Date: 12/6/17

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: December 06, 2017

Signed: Peggy Felt
President of the Governing Board

CERTIFICATION OF FINANCIAL CONDITION

POSITIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

QUALIFIED CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

NEGATIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

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Title: Assistant Superintendent, Business

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Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since budget adoption.	X	