

**First Interim Financial  
Report as of  
October 31, 2012**

**Presented to the Board of Trustees  
December 3, 2012**

# **2012/13 First Interim Assumptions**

## **General Fund Revenue**

- **Revenue Limit Sources**
  - **3.24% COLA [\$202/ADA]**
  - **-22.272 DEFICIT [-\$1,427/ADA]**
- **ADA: 3,099 (10 ADA increase above 2011/12)**
- **State Categoricals “flexed” and reduced 20% below 2008/09 award amounts**
- **Mandated Costs – Block Grant of \$86,000 budgeted**
- **Lease income is budgeted in the Special Reserve For Capital Outlay Fund**

# 2012/13 Revenue

	Adopted Budget	First Interim Budget	Change
Revenue Limit	\$ 14,347,506	\$ 15,606,880	\$ 1,259,374
Federal Revenue	\$ 1,210,688	\$ 1,242,702	\$ 32,014
Other State Revenue	\$ 4,161,759	\$ 4,330,941	\$ 169,182
Other Local Revenue	\$ 98,700	\$ 57,684	\$ (41,016)
Interfund Transfer In	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 19,818,653</b>	<b>\$ 21,238,207</b>	<b>\$ 1,419,554</b>

# **2012/13 First Interim Assumptions**

## **General Fund Revenue – Major Changes from Adopted Budget**

### **➤ Revenue Limit**

**+ \$1.3 million mid year cut removed (Prop 30 passed)**

**+ \$50,000 10 Additional ADA**

**- \$100,000 Unemployment reimbursement reduction**

### **➤ Federal Revenue – no significant change**

### **➤ State Revenue**

**+ \$68,000 Lottery Increase**

**+ \$86,000 Mandated Cost Block Grant (new)**

# **2012/13 First Interim Assumptions**

## **General Fund Expenditures**

- **Salary**
  - **Certificated Teachers**
    - **Salary reduction of 3.5% via 7 furlough days**
  - **Classified and Non-unit (unrepresented employees)**
    - **Salary reduction of 3.5% via 7-9 furlough days**
- **Step and Column: Actuals for 2012/13**
- **Health and Welfare: Maximum medical cap \$15,281; Dental, Vision, and Life Maximum \$1,866**

# **2012/13 First Interim Assumptions**

## **General Fund Expenditures**

### **➤ Supplies**

- 2011/12 Restricted Carryover (\$153,321 – primarily EIA and LEA Medi-Cal funds) and unrestricted school site and school donations carryover (\$223,510) are appropriated in supply expenditure objects**

### **➤ Services**

- Special education services for additional students in non-public schools (including transportation)**

# 2012/13 Expenses

	Adopted Budget	First Interim Budget	Change
Certificated Salaries	\$ 10,672,352	\$ 10,649,347	\$ (23,005)
Classified Salaries	\$ 3,102,668	\$ 3,043,729	\$ (58,939)
Employee Benefits	\$ 4,796,600	\$ 4,754,089	\$ (42,511)
Books & Supplies	\$ 856,885	\$ 1,187,765	\$ 330,880
Services/Operating Exp.	\$ 1,892,615	\$ 1,983,679	\$ 91,064
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 506,100	\$ 272,500	\$ (233,600)
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 21,827,220</b>	<b>\$ 21,891,109</b>	<b>\$ 63,889</b>

# **2012/13 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

- **Certificated Salaries – no significant change**
- **Classified Salaries**
  - **\$28,000 Director M&O vacancy savings**
  - **\$32,000 Bilingual aide reduction**
- **Benefits – no significant change**



# **2012/13 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

### **➤ Supplies**

- + \$382,000 Legal and Board Restricted Carryover**
- \$ 35,000 Title II funds moved to salary objects**

### **➤ Services**

- \$166,000 Reduction of 2 special education students in non-public schools, and introduction of a “usage” factor in total contract**
- + \$46,000 Interim M&O Director consultant**
- + \$50,000 Increased legal fees – Six due process filings to date, discipline hearing preparation**
- + \$35,000 representing 30% water rate increase from Suburban Water Systems (Whittier schools)**

# **2012/13 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

### **➤ Services (continued)**

**+ \$20,000 Title I staff development costs budgeted**

**+ \$20,000 Medi-Cal claims consultant fee**

**+ \$29,000 School site consultants budgeted (art,  
music)**

### **➤ Other Outgoing**

**- \$234,000 for 8 students brought back from FSD  
to newly created SDC class at Olita**

# **2012/13 First Interim Assumptions**

## **General Fund Reserve**

- **District Policy recommends an additional 2% above the State minimum reserve level, when stable state funding exists, to provide a buffer for cash-flow needs and if financial difficulties arise and commitments cannot be reduced**
- **The District is projecting slight enrollment growth in 2012/13 and stable enrollment in 2013/14 and 2014/15**
- **The Designation For Economic Uncertainties Reserve target remains at 3% until the District determines stable funding from the state exists. At that time, the Reserve target should increase to the previous target of 5%.**

# **Multi-year Projections**

## **Revenue Assumptions**

**(Subsequent Years)**

- **Revenue Limit Sources:**
  - **COLA**
    - **0.00% in 2013/14**
    - **0.00% in 2014/15**
  - **ADA**
    - **0 ADA increase in 2013/14**
    - **0 ADA increase in 2014/15**
- **State categorical funds remain flexed and reduced 20% from 2008/09 levels through 2014/15**
- **Class size reduction funds remained flexed through 2014/15**
- **Residual Federal Stimulus funds were fully spent in 2010/11**
- **All other revenues remain relatively constant (including Mandate Block Grant)**

# **Multi-year Projections**

## **Expense Assumptions**

(Subsequent Years)

- **2011/12 Legal and Board restricted carryover is fully spent in 2012/13**
- **2013/14 Salaries and Employee Benefits**
  - **1.3% Certificated step and column costs**
  - **1.2% Classified step and longevity costs**
  - **0.7% Non-unit step and longevity costs**
  - **Furlough days eliminated (contracts expire)**
  - **7.0% Increase in employee health and welfare benefits**
  - **LJEA step/column costs assume 4 teacher retirees (same as in 2011/12). This will be updated when 2012/13 retirements are known.**
- **Title I funds directed to identified target population**
- **New math textbook adoption - \$300,000**
- **Increase Internet bandwidth all sites - \$5,000**

# **Multi-year Projections Expense Assumptions**

**(Subsequent Years - Continued)**

- **2014/15 Salaries and Employee Benefits**
  - **1.3% Certificated step and column costs**
  - **1.2% Classified step and longevity costs**
  - **0.7% Non-unit step and longevity costs**
  - **7.0% Increase in employee health and welfare benefits**
  - **No increase or decrease of teachers due to stable projected enrollment**
  
- **Additional 0.6 FTE for additional Transitional Kindergarten class due to new age requirement of September 1 birthday**
  
- **Purchase ELA workbooks annually - \$63,000**
  
- **No textbook adoption**

# Multi-year Unrestricted General Fund Summary

	2012/13 First Interim	2013/14 Projected	2014/15 Projected
Total Revenue and Transfers In	\$ 16,827,545	\$ 16,827,545	\$ 16,827,545
Total Expenditures & Outgo	\$ 17,327,126	\$ 18,394,616	\$ 18,717,383
<b>Change in Fund Balance</b>	<b>\$ (499,581)</b>	<b>\$ (1,567,071)</b>	<b>\$ (1,889,838)</b>
Beginning Balance	\$ 4,721,450	\$ 4,221,869	\$ 2,654,798
<b>Ending Balance</b>	<b>\$ 4,221,869</b>	<b>\$ 2,654,798</b>	<b>\$ 764,960</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 60,030	\$ 60,030	\$ 60,030
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 656,733	\$ 684,158	\$ 693,841
Designations	\$ 0	\$ 0	\$ 0
Undesignated Amount	\$ 3,505,106	\$ 1,910,610	\$ 11,089

# Multi-year Combined General Fund Summary

(Restricted and Unrestricted)

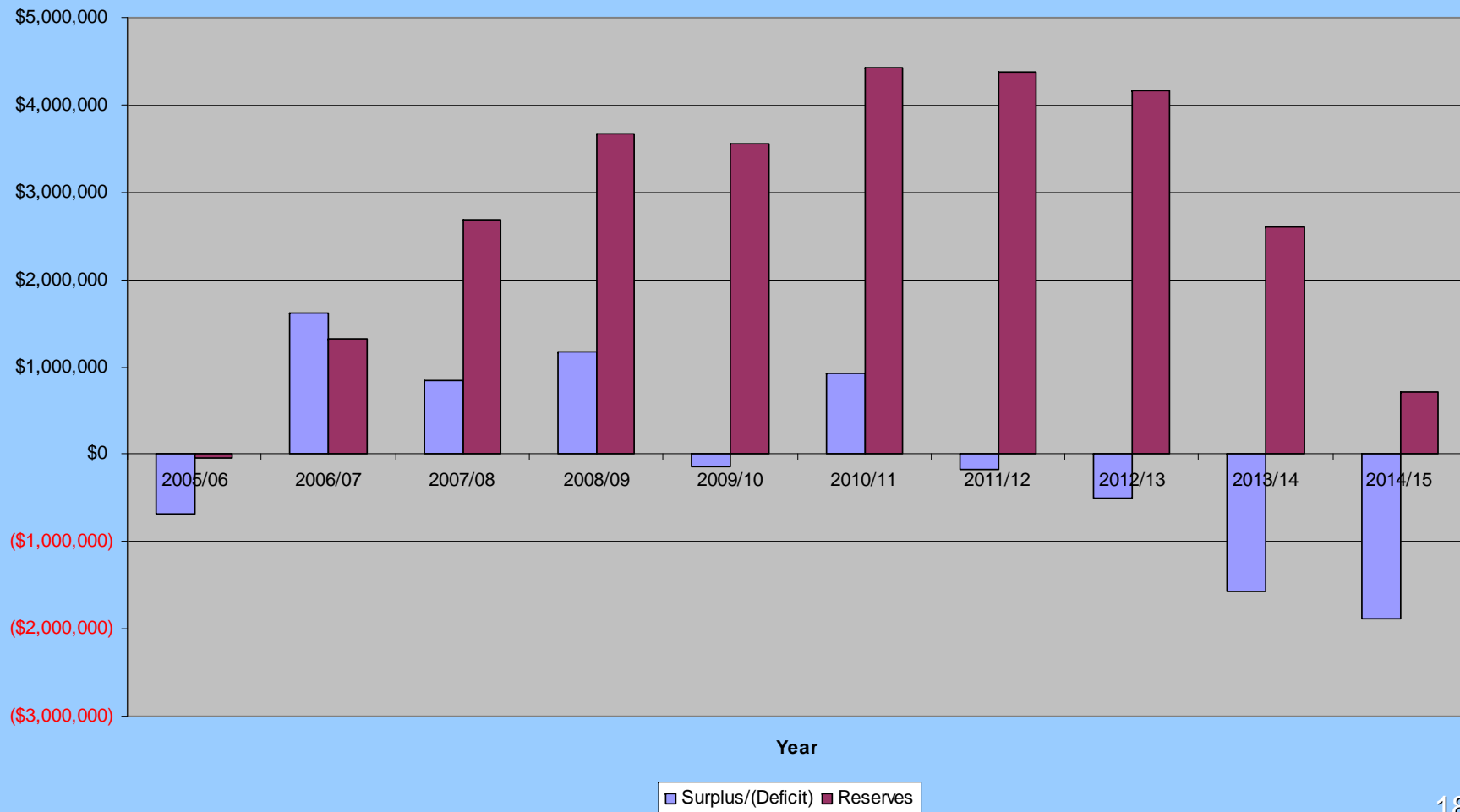
	2012/13 First Interim	2013/14 Projected	2014/15 Projected
Total Revenue and Transfers In	\$ 21,238,207	\$ 21,238,207	\$ 21,238,207
Total Expenditures & Outgo	\$ 21,891,109	\$ 22,805,278	\$ 23,128,045
<b>Change in Fund Balance</b>	<b>\$ (652,902)</b>	<b>\$ (1,567,071)</b>	<b>\$ (1,889,838)</b>
Beginning Balance	\$ 4,874,771	\$ 4,221,869	\$ 2,654,798
<b>Ending Balance</b>	<b>\$ 4,221,869</b>	<b>\$ 2,654,798</b>	<b>\$ 764,960</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 60,030	\$ 60,030	\$ 60,030
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 656,733	\$ 684,158	\$ 693,841
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# Deficit Spending

- **State standards require an explanation if spending more than one-third of the reserve in any year**
- **District is projected to deficit spend more than one-third in years 2 and 3 (see chart)**
- **Negotiations with bargaining units will need to achieve reduced deficit spending in the coming years**
- **District Board Policy requires a 5% reserve when fully funded revenue limit COLA exists for two consecutive years**

# Multi-year Unrestricted General Fund Summary



# **Future Considerations....**

**Wait and see state budget projections for 2013/14 . Will COLA be funded? More deferrals funded? A little of both?**

**COLA hasn't been funded for 5 years....**

**Will federal healthcare program cause cost increases?**

# Facilities Funds

- **Facilities maintenance expenses are increasing while revenue sources to fund them are decreasing:**
  - **Capital Facilities (developer fees) are dwindling due to limited development within District attendance boundaries**
  - **New fire alarm system replacement At Olita used the majority of these reserves**
  - **Jordan field renovation used the remainder**

# Facilities Funds

- **Deferred Maintenance funds were “flexed” in 2008/09 and have been used to offset loss of Revenue Limit funds in the General Fund each year**
- **Deferred Maintenance reserves are exhausted**
- **Special Reserve for Capital Outlay remains a funding source for capital projects**
- **Special Reserve receives ongoing lease income**
- **The routine repairs for plumbing, windows, doors, roof leaks, phones, computer cabling, clocks and bells, grounds, concrete repair are reliant on the General Fund**

# 2012/13 Special Reserve Fund

Revenue	Adopted Budget	First Interim Budget	Change
Lease Income	\$ 472,250	\$ 494,588	\$ 22,338
Interest Income	\$ 35,000	\$ 40,000	\$ 5,000
<b>Total</b>	<b>\$ 507,250</b>	<b>\$ 534,588</b>	<b>\$ 27,338</b>
Expenses			
Supplies	\$ 50,000	\$ 35,000	\$ (15,000)
Services	\$ 181,500	\$ 270,000	\$ 88,500
Capital Outlay	\$ 20,000	\$ 600,000	\$ 580,000
<b>Total</b>	<b>\$ 251,500</b>	<b>\$ 905,000</b>	<b>\$ 653,500</b>
<b>Transfers Out</b>	<b>\$ 85,000</b>	<b>\$ 85,000</b>	<b>\$ 0</b>
<b>Beginning Balance</b>	<b>\$ 7,359,487</b>	<b>\$ 7,359,487</b>	
<b>Ending Balance</b>	<b>\$ 7,530,237</b>	<b>\$ 6,904,075</b>	

# Special Reserve Fund

- **Renegotiated leases will generate increased revenues each year for many years**
- **High cash reserves allows payroll loans to the General Fund (\$2 million this year and last year due to state deferrals), avoiding costly TRANS issue**
- **Supports Deferred Maintenance Fund expenses for painting our buildings**
- **Funds facility related projects such as facility needs analysis, property related legal expenses, small capital projects**
- **Could fund major construction project for new phone cabling and phone system**

# First Interim Financial Report Certification of Financial Condition

## Positive Certification

‘As president of the governing board of this school district, I certify that this district will be able to 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 this district may not meet its financial obligations for the current fiscal year and subsequent two 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 fiscal year or for the subsequent fiscal year.’