

**Second Interim Financial
Report as of
January 31, 2013**

**Presented to the Board of Trustees
March 4, 2013**

2012/13 Second 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 \$91,738 budgeted**
- **Lease income is budgeted in the Special Reserve For Capital Outlay Fund**

2012/13 Revenue

| | First Interim Budget | Second Interim Budget | Change |
|-----------------------|-------------------------|--------------------------|-------------------|
| Revenue Limit | \$ 15,606,880 | \$ 15,603,507 | \$ (3,373) |
| Federal Revenue | \$ 1,242,702 | \$ 1,179,743 | \$ (62,959) |
| Other State Revenue | \$ 4,330,941 | \$ 4,490,653 | \$ 159,712 |
| Other Local Revenue | \$ 57,684 | \$ 88,391 | \$ 30,707 |
| Interfund Transfer In | \$ 0 | \$ 0 | \$ 0 |
| Total | \$ 21,238,207 | \$ 21,362,294 | \$ 124,087 |

2012/13 Second Interim Assumptions

General Fund Revenue – Major Changes from First Interim

➤ Federal Revenue

- \$70,000 - MAA estimate removed – federal audits put funds in question**

➤ State Revenue

- + \$84,000 SELPA funds for counseling support**
- + \$32,000 Prior year Lottery residual**
- + \$53,000 Flexed funds adjustments**

➤ Local Revenue

- + \$ 31,000 – School site donations increased**

2012/13 Second 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 Second 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 an additional student in non-public schools (including transportation)**
- Contracted services for speech & language and counseling**
- Increased legal fees**

2012/13 Expenses

| | First Interim Budget | Second Interim Budget | Change |
|-------------------------|-------------------------|--------------------------|-------------------|
| Certificated Salaries | \$ 10,649,347 | \$ 10,687,194 | \$ 37,847 |
| Classified Salaries | \$ 3,043,729 | \$ 3,053,924 | \$ 10,195 |
| Employee Benefits | \$ 4,754,089 | \$ 4,800,518 | \$ 46,429 |
| Books & Supplies | \$ 1,187,765 | \$ 1,177,417 | \$ (10,348) |
| Services/Operating Exp. | \$ 1,983,679 | \$ 2,187,860 | \$ 204,181 |
| Capital Outlay | \$ 0 | \$ 0 | \$ 0 |
| Other Outgoing | \$ 272,500 | \$ 285,725 | \$ 13,225 |
| Interfund Transfer Out | \$ 0 | \$ 0 | \$ 0 |
| Total | \$ 21,891,109 | \$ 22,192,638 | \$ 301,529 |
| | | | |

2012/13 Second Interim Assumptions

General Fund Expenditures – Major Changes from First Interim

- **Certificated Salaries – no significant change**
- **Classified Salaries – no significant change**
- **Benefits – no significant change**
- **Supplies – no significant change**

2012/13 Second Interim Assumptions

General Fund Expenditures – Major Changes from First Interim

➤ Services

- + \$39,500 Addition of 1 special education student in non-public school (includes transportation)**
- + \$15,500 Increased legal fees – Additional two Due process filings to date**
- + \$84,000 Counseling services (SELPA funds)**
- + \$61,250 SLP contracted services**

➤ Other Outgoing – no significant change

2012/13 Second 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 “flat” 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**
 - **1.65% in 2013/14**
 - **2.20% 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**
- **Continued SELPA funds for counseling services**
- **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**
 - **1.5% 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 one teacher retiree**
- **Title II funds directed to identified target population**
- **New VoIP phone service costs - \$5,000**
- **New math textbook adoption and ELA supplement - \$350,000**
- **Increase Internet bandwidth all sites - \$5,000**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **2014/15 Salaries and Employee Benefits**
 - **1.5% 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**
 - **LJEA step/column costs assume one teacher retiree**
- **Additional 1.0 FTE for second Transitional Kindergarten class due to new age requirement of September 1 birthday**
- **VoIP service costs continue annually**
- **Purchase ELA workbooks annually - \$63,000**
- **No textbook adoption**

Multi-year Combined General Fund Summary

(Restricted and Unrestricted)

| | 2012/13 Sec. Interim | 2013/14 Projected | 2014/15 Projected |
|-----------------------------------|-------------------------|-----------------------|-----------------------|
| Total Revenue and Transfers In | \$ 21,362,294 | \$ 21,552,629 | \$ 21,897,089 |
| Total Expenditures & Outgo | \$ 22,192,637 | \$ 23,273,009 | \$ 23,497,009 |
| Change in Fund Balance | \$ (830,343) | \$ (1,720,380) | \$ (1,599,920) |
| | | | |
| Beginning Balance | \$ 4,874,772 | \$ 4,044,429 | \$ 2,324,049 |
| Ending Balance | \$ 4,044,429 | \$ 2,324,049 | \$ 724,129 |
| | | | |
| Components of Fund Balance | | | |
| Reserved Amounts | \$ 60,030 | \$ 10,000 | \$ 10,000 |
| Legally Restricted | \$ 0 | \$ 0 | \$ 0 |
| Economic Uncertainties | \$ 665,779 | \$ 698,190 | \$ 704,910 |
| Designations | \$ 0 | \$ 0 | \$ 0 |
| Undesignated Amount | \$ 3,318,620 | \$ 1,615,859 | \$ 9,219 |

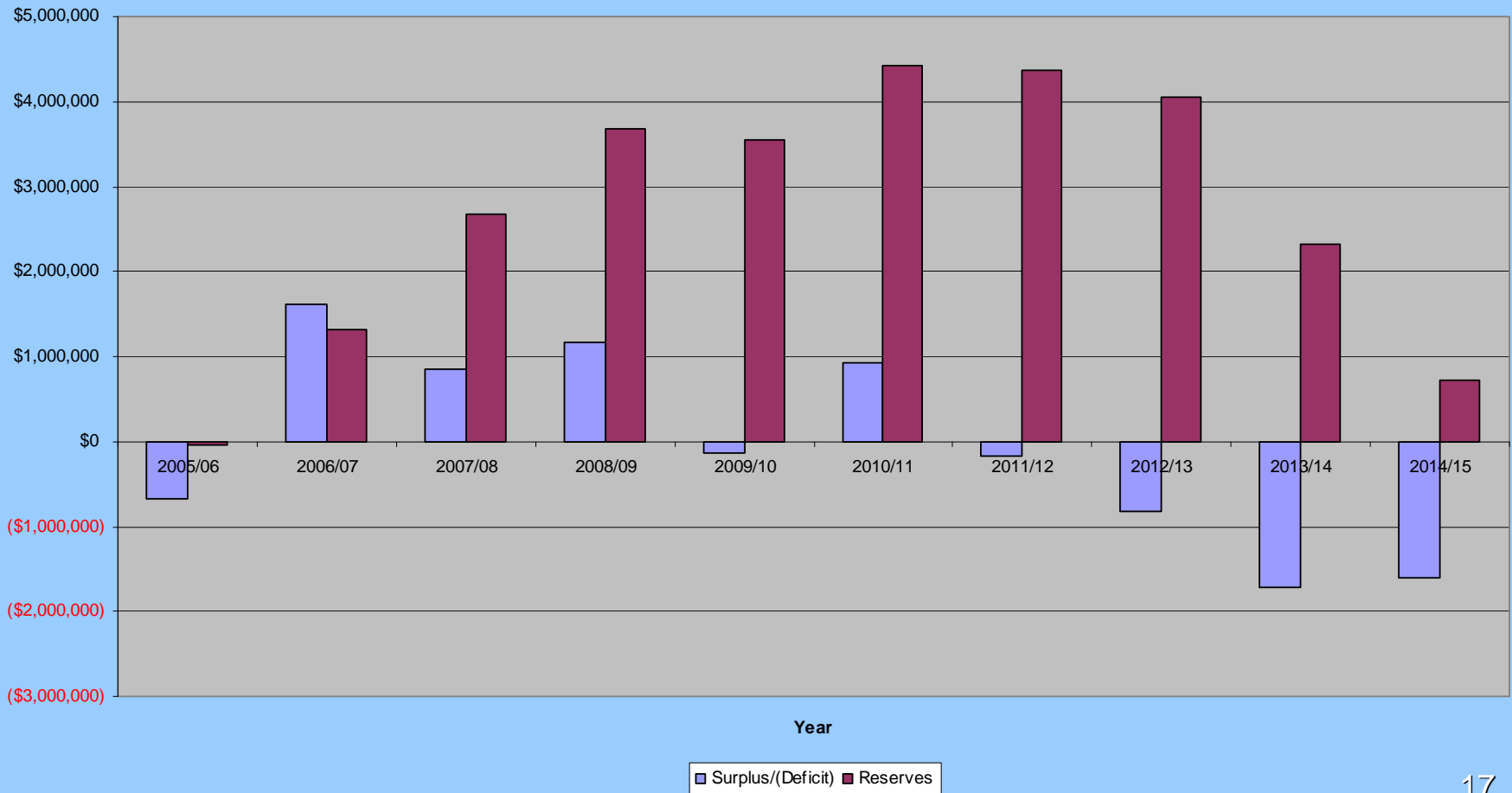
LCFF - Multi-year Combined General Fund Summary (Restricted and Unrestricted)

| | 2012/13 Sec. Interim | 2013/14 Projected | 2014/15 Projected |
|-----------------------------------|---------------------------------|------------------------------|------------------------------|
| Total Revenue and Transfers In | \$ 21,362,294 | \$ 22,017,629 | \$ 22,362,089 |
| Total Expenditures & Outgo | \$ 22,192,637 | \$ 23,273,009 | \$ 23,497,009 |
| Change in Fund Balance | \$ (830,343) | \$ (1,255,380) | \$ (1,134,920) |
| | | | |
| Beginning Balance | \$ 4,874,772 | \$ 4,044,429 | \$ 2,789,049 |
| Ending Balance | \$ 4,044,429 | \$ 2,789,049 | \$ 1,654,129 |
| | | | |
| Components of Fund Balance | | | |
| Reserved Amounts | \$ 60,030 | \$ 10,000 | \$ 10,000 |
| Legally Restricted | \$ 0 | \$ 0 | \$ 0 |
| Economic Uncertainties | \$ 665,779 | \$ 698,190 | \$ 704,910 |
| Designations | \$ 0 | \$ 0 | \$ 0 |
| Undesignated Amount | \$ 3,318,620 | \$ 2,080,859 | \$ 939,219 |

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 (this policy may need revision if LCFF is implemented)**

Multi-year Unrestricted General Fund Summary



Future Considerations....

Wait and see state budget projections at May Revise . Will LCFF be implemented or will Revenue Limit calculation remain in place?

COLA is funded for first time in 5 years!

How much LCFF money will be designated for serving the students funded with “supplemental grants?”

**Will federal healthcare program cause cost increases?
Regulations begin January 2014 through January 2018 –
lots of reporting and monitoring**

Food Services Fund

- **Three years in a row of operating at a surplus:**
 - **09/10 - \$(4,715)**
 - **10/11 - \$89,493**
 - **11/12 - \$180,544**
 - **12/13 - \$131,181**

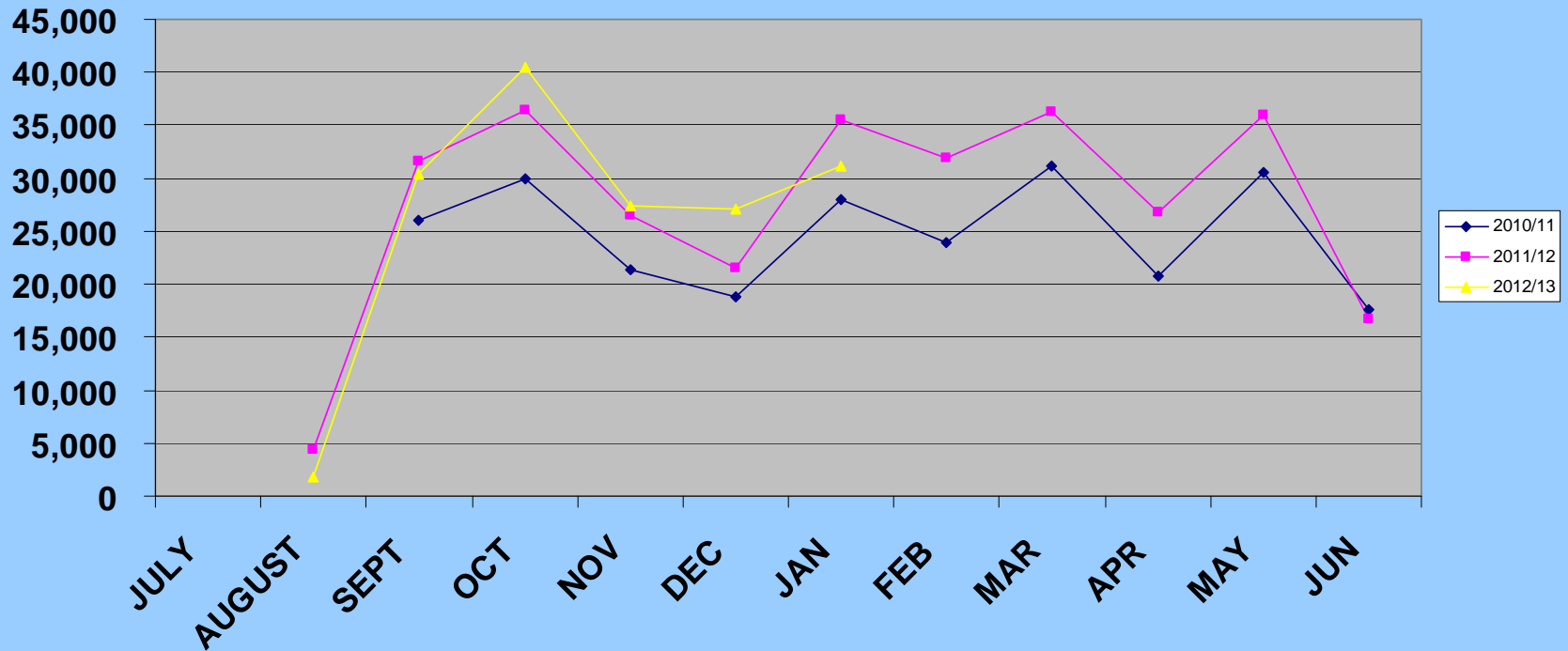
Food Services Fund

- **Meal Participation has increased each of these years**
 - **11/12 increased 18% above 10/11**
 - **12/13 is projected to increase 2% above 11/12**
- **Refrigerator/Freezer upgrades up to \$40,000 in 12/13**
- **Main Freezer replacement of \$50,000 July 2013**

Food Services Meals Served

History

Total Meals Served



Second 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.’