

**Second Interim Financial
Report as of
January 31, 2014**

**Presented to the Board of Trustees
March 3, 2014**

2013/14 Second Interim Assumptions

General Fund Revenue

- **Revenue Limit Converted to Local Control Funding Formula (LCFF)**
 - **2012/13 amount per ADA = \$5,733 (includes categoricals)**
 - **2013/14 amount per ADA = \$5,996 (categoricals eliminated and rolled into LCFF)**
 - **Includes COLA and GAP funding**
 - **Includes CSR add-on currently unquantified (will grow each year until 2020/21 to reach approximately \$1 million)**
 - **Must reach 24:1 in K-3 at each site by 2020/21**
 - **Includes Supplemental Grant for English Learner and socio-economically disadvantaged enrollment of approximately \$225,000 (also will grow to approximately \$1.8 million by 2020/21)**

2013/14 Second Interim Assumptions

General Fund Revenue

- **ADA: 3,132.93 (35 ADA increase above 2012/13)**
- **Most state categoricals rolled into LCFF**
 - **Restricted lottery, unrestricted lottery, TIIG, and special education remain**
 - **Transportation M.O.E. for two years (must maintain expense)**
- **New One-Time Common Core Grant of \$636,851**
- **Mandated Costs – Block Grant of \$87,000 budgeted**
- **Lease income is budgeted in the Special Reserve For Capital Outlay Fund**

2013/14 Revenue

	First Interim Budget	Second Interim Budget	Change
Revenue Limit	\$ 18,703,914	\$ 18,795,004	\$ 91,090
Federal Revenue	\$ 1,046,276	\$ 1,138,308	\$ 92,032
Other State Revenue	\$ 1,371,233	\$ 1,361,244	\$ (9,989)
Other Local Revenue	\$ 1,703,333	\$ 1,774,511	\$ 71,178
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 22,824,756	\$ 23,069,067	\$ 244,311

2013/14 Second Interim

General Fund Revenue – Major Changes from First Interim

- **LCFF – (+ \$91,000) – Fifteen additional ADA
(for a total of 35 above 2012/13)**
- **Federal Revenue – (+ \$92,000) – Prior year unused grant
awards budgeted**
- **State Revenue - no significant change**
- **Local Revenue**
 - +\$42,000 – School site donations**
 - +\$29,000 – SEPLA funds**

2013/14 Second Interim Assumptions

General Fund Expenditures

- **Salary**
 - **Certificated Teachers**
 - **Full work year budgeted (no furlough days)**
 - **Classified and Non-unit (unrepresented employees)**
 - **Full work year budgeted (no furlough days)**
- **Step and Column: Actuals for 2013/14**
- **Health and Welfare: Maximum medical cap \$16,596; Dental, Vision, and Life Maximum \$1,866**

2013/14 Second Interim Assumptions

General Fund Expenditures

➤ Supplies

- Elementary school site budgets increased to \$55 (from \$54) per student to cover increased printing costs of Common Core Standards-based report cards grades K-3**
- 2012/13 Restricted Carryover (\$181,926 – primarily EIA and LEA Medi-Cal funds), unused grant awards (\$92,107), and unrestricted school site and school donations carryover (\$184,282) are appropriated in supply expenditure objects**

2013/14 Second Interim Assumptions

General Fund Expenditures

- **Services and Other Outgo**
 - **Special education services for additional students in non-public schools and agencies (including transportation) budgeted as needs identified**

2013/14 Expenses

	First Interim Budget	Second Interim Budget	Change
Certificated Salaries	\$ 11,449,485	\$ 11,450,225	\$ 740
Classified Salaries	\$ 3,188,174	\$ 3,189,149	\$ 975
Employee Benefits	\$ 4,853,386	\$ 4,858,095	\$ 4,709
Books & Supplies	\$ 1,632,696	\$ 1,723,571	\$ 90,875
Services/Operating Exp.	\$ 2,136,749	\$ 2,208,711	\$ 71,962
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 367,096	\$ 379,433	\$ 12,337
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
Total	\$ 23,627,586	\$ 23,809,184	\$ 181,598

2013/14 Second Interim

General Fund Expenditures – Major Changes from First Interim

- **Certificated Salaries – no significant change**
- **Classified Salaries – no significant change**
- **Benefits – no significant change**
- **Books and Supplies**
 - + **\$42,000 Additional school site donations**
 - + **\$48,000 Unused grant awards**

2013/14 Second Interim

General Fund Expenditures – Major Changes from First Interim

➤ Services and Other Outgo

- \$51,000 Special Education services for additional students in non-public schools and agencies (including transportation) reduced by two students who remain in district**
- + \$60,000 Itinerant certificated services for special education students (DHH)**
- + \$10,000 Donations to schools**
- + \$54,000 Water and electricity cost increases**

2013/14 Second Interim Assumptions General Fund Reserve

- **District Policy recommends an additional 2% above the State minimum reserve level, when two years of stable state funding exists, to provide a buffer for cash-flow needs and if financial difficulties arise and commitments cannot be reduced**
- **The Designation For Economic Uncertainties Reserve target remains at 3% through 2014/15. The Reserve target increases to the previous target of 5% in 2015/16 in the multi-year projection.**
- **A 5% reserve is less than one month's payroll**

Multi-year Projections

Revenue Assumptions

(Subsequent Years)

- **Local Control Funding Formula Sources:**
 - **COLA**
 - **1.87% in 2014/15**
 - **1.99% in 2015/16**
 - **Gap Funding (CDE Projection)**
 - **28.05% in 2014/15**
 - **33.95% in 2015/16 (Revenue increase restricted in fund balance)**
 - **ADA**
 - **0 ADA increase in 2014/15**
 - **0 ADA increase in 2015/16**
- **Class size ratios continue to reach toward 24:1 goal by 2020/21**
- **Common Core one-time grant removed (\$636,000)**
- **All other revenues remain relatively constant (including Mandate Block Grant)**

Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **2012/13 Legal and Board restricted carryover is fully spent in 2013/14**
- **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**
 - **LJEA step/column costs assume 1 teacher retiree**
 - **Increase of 1.0 teacher due to CSR goal of 24:1**
 - **Increase of 1.0 teacher due to TK September 1st age requirement**
- **Supplemental Grant Increase - \$436,000 – allocated to spend**
- **New math textbook adoption (K-6) - \$300,000 – to be paid from reserves or one-time mandate repayments**
- **Common Core one-time grant removed (\$636,000)**
- **Expense increased by Consumer Price Index of 2.3%**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **2015/16 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**
 - **Increase of 1.0 teacher due to CSR goal of 24:1**
 - **No additional TK impact**
- **Supplemental Grant Increase - \$378,000 – allocated to spend**
- **Supplies and services expense increased by Consumer Price Index of 2.5%**

Multi-year General Fund Summary-LACOE

(Restricted and Unrestricted)

	2013/14 Second Interim	2014/15 Projected	2015/16 Projected
Total Revenue and Transfers In	\$ 23,069,067	\$ 24,255,067	\$ 26,032,067
Total Expenditures & Outgo	\$ 23,809,184	\$ 23,870,258	\$ 24,833,258
Change in Fund Balance	\$ (740,117)	\$ 384,809	\$ 1,198,809
Beginning Balance	\$ 4,656,745	\$ 3,916,628	\$ 4,301,437
Ending Balance	\$ 3,916,628	\$ 4,301,437	\$ 5,500,246
Components of Fund Balance			
Reserved Amounts	\$ 30,000	\$ 10,000	\$ 10,000
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 715,000	\$ 727,000	\$ 1,221,000
Designations (LACOE restriction)		\$ 300,000	\$ 1,337,000
Undesignated Amount	\$ 3,171,628	\$ 3,264,437	\$ 2,932,246

Deficit/Surplus Spending

- **Only 2014/15 state funding is reliable for budget projections**
- **District is deficit spending 2.3% unrestricted reserves in 2013/14**
- **District will have an operating surplus of 1.6% in 2014/15 and have a surplus of 4.8% in 2015/16**
- **All of the above assumes state funding as projected in the Governor's January Budget**

Future Considerations....

- **May Revise is next state budget projection for 2014/15**
- **Local Control Accountability Plan (LCAP) and LCFF must have public hearing (June 2 Board meeting) at a meeting prior to LCFF and LCAP adoption (June 16 Board Meeting)**
- **Proposed 2014/15 Budget must be completed by May 28**
- **Timing is difficult to incorporate significant changes from Governor's May Revise Budget Proposal**

Future Unknowns....

- **Cost of STRS and PERS pension plan increases**
- **Affordable Care Act cost impact**
- **Common Core technology impacts – staffing, data access, computer reliability, computer replacement program**

Facilities Funds

- **Facilities maintenance expenses are increasing while revenue sources to fund them are decreasing**
- **The Board will receive an update on these funds after the Computer Lab Technology Upgrade Project is completed and impacts are known**

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.’