

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Piedmont Unified School District Board of Education

FROM: Ruth Alahydoian, Chief Financial Officer
Cheryl Kaiser, Fiscal Services Manager

DATE: September 14, 2022

SUBJECT: APPROVE THE 2021-22 UNAUDITED ACTUALS FOR ALL THE FUNDS OPERATED BY THE DISTRICT: GENERAL FUND; STUDENT ACTIVITIES; ADULT EDUCATION; CAFETERIA; DEFERRED MAINTENANCE; SPECIAL RESERVE/NODA; BUILDING; STATE SCHOOL FACILITIES FUND; CAPITAL FACILITIES; BOND INTEREST AND REDEMPTION FUND; AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS

PURPOSE:

Review and approval of the unaudited financial statements of the Piedmont Unified School District for the fiscal year ended June 30, 2022. The financial results for the 2021-22 Fiscal Year are presented to the Board for approval before submission to the Alameda County Office of Education (ACOE) by September 15.

BACKGROUND:

Education Code Section 42100 requires that each governing board approve and submit the Unaudited Actuals ("UA") and Gann Limit Resolution to the county office on or before September 15.

The 2021-22 UA compiles all actual fiscal transactions of the Piedmont Unified School District and presents the District's financial position for the period July 1, 2021, through June 30, 2022. The UA is submitted to ACOE, and through them, to the California Department of Education (CDE). The District's auditors, Christy White Associates Inc., will audit the UA to prepare the audited financials by December 2022. The UA and the audited financials are the only comprehensive financial documents submitted to CDE.

SUMMARY:

The ending fund balance represents the amount left in each fund after all revenues and expenditures have been recorded. It represents the bottom line in financial reporting. The following table provides the ending fund balance for each fund.

ALL FUNDS – ENDING FUND BALANCES		
Fund #	Fund Name	Ending Fund Balance as of June 30, 2022
1	General	\$4,888,296
8	Student Activities	440,874
11	Adult Education	73,001
13	Cafeteria	343,769
14	Deferred Maintenance	(127,650)
17 Noda	Special Reserve – Noda	108,186
21	Building	0
35	State Schools Facilities	3,722
40	Special Res for Capital Facilities	452,773
51	Bond Interest & Redemption	9,021,209
	TOTAL ALL FUNDS	\$15,204,180

As noted in the table above, the 2021-22 General Fund Ending Fund Balance is **\$4,888,296**. The General Fund ending balance is further designated as follows:

DETAILS OF GENERAL FUND ENDING BALANCE	
<u>Restricted or Unavailable:</u>	
Revolving Cash	\$43,773
Restricted Revenue Balances	1,695,747
Reserve for Economic Uncertainty (3%)	1,464,662
Measure H – Reserved for CSEA	260,147
Other Designations – Parents Clubs, donations	400,018
Support for 2022-23 (included in Orig 22-23 Budget)	<u>442,269</u>
<u>Unrestricted / Available:</u>	
Available for One-Time Board Priorities	581,680
TOTAL GENERAL FUND ENDING BALANCE	\$4,888,296

DETAILED ATTACHMENTS PROVIDED:

Attached to this memo are several tables that provide summarized information for the General Fund and each of the other funds of the District. The tables are described below. The document that will be submitted to the Alameda County Office of Education and ultimately to the State is the Standardized Account Code Structure (SACS) Report.

Multiyear Comparisons: To provide historical context, a multiyear comparison table has been prepared for each fund. Each table compares UA information from 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22. For the General Fund, the information in the multiyear comparison table is also provided in bar graph form, with a separate graph for revenues and for expenditures.

Progression through the year: For the General Fund, the progression from Adopted Budget to Unaudited Actuals for 2021-22 is provided in a separate table. The five labeled columns show the budget as it was presented to the Board from Adoption through the First and Second Interim Reports, the Estimated Actuals and the Unaudited Actuals. The sixth column calculates the difference between the Adopted Budget and the Unaudited Actuals. The last column shows the difference as a percentage of total revenues or expenditures, to put the dollar amount in perspective.

2022-23 Budget: The 2022-23 Budget, where provided in these documents, is the Adopted Budget as approved by the Board on June 22, 2022. Subsequent changes that are the result of the final State budget, as presented on August 10 are NOT shown here as the SACS software only loads the Adopted Budget. The working budget has been and will continue to be revised to incorporate the final State budget, carryover from 2021-22, and staffing adjustments over the next weeks. An updated 2022-23 Budget will be shared with the Board in October to provide an update and multiyear projections prior to the official First Interim report in December.

ANALYSIS:

General Fund (Fund 01): The General Fund is the most significant of the funds because it represents the day-to-day operations of the District. Revenues in the General Fund are from several sources: Local Control Funding Formula (LCFF), which includes both State aid and local property taxes; Federal funds such as Title II; other State funds such as lottery, mandated costs reimbursements, and the STRS on-behalf revenues; and local revenues including Parcel Tax Measures G & H, Piedmont Education Foundation (PEF) donations, and parent and support group donations.

Revenues

Revenues increased by \$4.1 million from the Adopted Budget in June 2021 to the final UA in September 2022. The significant changes in revenues were as follows:

- **Federal revenue** increased by \$497 K from the original budget. This includes \$386 K of the federal portion of the Expanded Learning Opportunity Grant for learning recovery efforts. The Board approved the plan for how those funds would be spent in June 2021. This also includes a one-time grant of \$112 K for Special Education related recovery expenditures.
- **State revenue** increased by \$2.1 million from the original budget. Several grants contributed to the increase:
 - \$740 K Educator Effectiveness Grant – to be spent over next 3 years
 - \$555 K In-Person Instruction Grant (21-22 portion; first portion was recorded in 20-21)
 - \$153 K California Department of Public Health for COVID testing
 - \$117 K SPED Early Intervention Grant for Pre-School program
 - \$115 K Pre-K Planning Grant (to prepare for Universal Transitional Kindergarten)
- **STRS on-behalf** is a pass-through revenue that is never actually deposited in the District's financials but is required to be reported there. ACOE calculates the

amount and provides it to the District. The final number is based on more current State figures than were used in the original budget, resulting in a difference of \$375 K.

- **Local Revenue** increased overall by \$911 K. The following contributions were added after the original budget adoption:
 - \$210 K from Piedmont Makers as the second half of their 2021 grant. The funds were not spent by June 30 and are part of the Restricted Fund Balance, to be used to support staffing for the engineering lab.
 - \$139 K from Boosters, parents and community donations for athletics.
 - \$100 K from the City of Piedmont to support additional hours for the school nurses.
 - \$94 K from Parent's Clubs for specific site grants
 - \$72 K from an anonymous donor through PEF for Diversity, Equity and Inclusion work.
 - \$40 K from parent and community donations for music programs
 - \$30 K from parent and community donations for the Wellness Center
 - \$100 K from parent fees for AP exams. The cost of the exams was charged to the revenue.
 - Various other contributions from parents to support specific work throughout the District. Any such revenues left unspent in 2021-22 will be available to site managers to spend in 2022-23.

Expenditures

Expenditures increased by \$2.25 million from the Adopted Budget in June 2021 to the UA in September 2022. The significant changes in expenditures were as follows:

- **Certificated salaries** increased by a net amount of \$78 K. This represents a decrease based on the salaries of new teachers replacing the salaries of the more experienced retirees, and vacant positions that were filled by contractors. The decrease was offset by a negotiated salary increase of 2.5%.
- **Classified salaries** increased by \$396 K during the year. This represented the addition of health clerks to support COVID tracing and testing, and a negotiated salary increase of 3%.
- **Employee benefits** decreased by \$1.2 M. This is a large decrease from the original budget, but not a surprise. The rate used for the State Unemployment Insurance was reduced resulting in lower costs. Also, health benefits associated with vacant and new positions were budgeted, but may actual costs were lower.
- The **STRS on-behalf** is a pass-through expenditure that is never actually paid out of the District's financials but is required to be reported. ACOE calculates the amount and provides it to the District. The final number is based on more current State figures than were used in the original budget, resulting in a difference of \$375 K.
- **Books and Supplies** increased by \$236K over the course of the due to the transfer of prior year unspent funds (carryover) for specific uses, and the additional local grants and funds that were received during the year.
- **Services and Operating Expenses** increased by \$1.1 M over the course of the year. The major increases were as follows:

- \$772 K for SPED related costs that were not anticipated
- \$147 K increase in utilities costs (total \$662 K versus original budget of \$515 K)
- \$80 K for SPED teacher
- **Capital Outlay** was not in the original budget, but was added throughout the year for a total of \$1 M as one-time funds became available for the following capital projects:
 - \$610 K for Beach VRF installation
 - \$107 K for ventilation replacement projects at PMS
 - \$111 K for Beach and Wildwood play surface replacements
 - \$145 K for Districtwide wireless access point refresh

Changes in Ending Fund Balance:

- The net increase of \$2.67 million to the Ending Fund Balance can be attributed to the increase in the ending balance from the prior year of \$824 K, that carried through to the end of 2021-22, and unspent restricted funds of \$1.7 M.
- Components of the Ending Fund Balance include:
 - \$1,464,662 - 3% Reserve for Economic Uncertainties
 - \$1,695,747 - Legally restricted funds
 - \$43,773 - Revolving cash
 - \$400,017 - Reserved as carryover from local sources
 - \$260,147 – Measure H reserved for CSEA
- Remaining funds will be set-aside to support the budget for 2022-23 and for other Board priorities:
 - \$442,269 – budgeted to be available for the 2022-23 budget
 - **\$581,680 – available for other Board priorities**

Student Activities Special Revenue Fund (Fund 8): The Student Activities Fund tracks the financial activities and the account balances of the associated student body (ASB) organizations within the District. Each ASB maintains its own records of income, expense, and account balances. The aggregate activity and balances are recorded in Fund 8. The combined ending balance for the PMS, MHS and PHS ASB’s is \$440,874.

Adult Education (Fund 11): The Adult Education Fund is used to account for state and local revenues for adult education programs. Piedmont USD’s Adult Ed program offers both State-funded courses such as diploma completion, and fee-based classes, such as cooking. The sources of revenue were State funds through the Adult Education Block Grant, and local funds through fees and donations.

In 2021-22, the expenses for the fee-based Adult Education program were greater than the revenues. To support the program, \$20,000 that was due to the General Fund for indirect costs from the prior year was waived.

Cafeteria Fund (Fund 13): The Cafeteria Fund is used to account for federal, state and local resources used to operate the food service program. In 2021-22, the District’s food service program included the Federal milk money income and local income from food

service provided for students at Piedmont Middle School and the high schools. It is also the fund through which elementary lunch program funds are collected and dispersed.

Starting in 2022-23, the District is required to provide free breakfast and lunch to all students. The existing food service program will undergo significant changes to participate in the National School Lunch Program and access state and federal reimbursement.

Deferred Maintenance (Fund 14): The Deferred Maintenance Fund was originally established to account for State funds and the District match used for major school building repair projects such as roofing, paving, electrical and plumbing. The State suspended payments toward Deferred Maintenance in 2013 and no longer funds deferred maintenance separately from LCFF. The District continues to contribute to Fund 14 to allow separate tracking of certain expenditures related to facilities maintenance and repair.

In 2019-20, the District borrowed \$280K from the Cafeteria Fund to finance the upgrade of the VRF air cooling systems at Havens Elementary. The expenses were recorded in the Deferred Maintenance Fund. The loan was set up as a “Due To/Due From” between the Cafeteria Fund and the Deferred Maintenance Fund. Until the loan is fully repaid, the fund balance will be negative. Repayment will flow through the Deferred Maintenance Fund from funds transferred from the General Fund.

Special Reserve Fund – NODA (Fund 17): The NODA fund was established as an endowment to support the Visual Arts Program in grades 6 through 12. The interest earned on the endowment is recorded as income. Any amount exceeding the base endowment of \$100,000 can be spent as a grant towards visual and performing arts. The current balance is \$108,686.

Building Fund (Fund 21): The Building Fund is used to account for the District’s General Obligation Bond funds and the construction funded by the bonds. In 2021-22, the bond projects were completed and Fund 21 was depleted. The Measure H1 Bond projects are complete! The Citizen’s Bond Oversight Committee will review the final expenditures and issue a final report by March 2023.

State Schools Facilities Fund (Fund 35): The State Schools Facilities Fund is required to be used to account for the State matching funds for seismic improvements and modernization received by the District.

Capital Facilities Fund (Fund 40): The Capital Facilities Fund is used to account for facilities projects that are not part of the construction projects funded by the General Obligation Bond program. In 2021-22, the District entered into a loan for \$3.2 million to complete the Performing Arts Center (PAC) and to install VRF systems at Havens and Wildwood. In addition, \$104 K from facilities rental fees was transferred to Fund 40. Most of the PAC and VRF work was completed by June 30, reducing the balance in Fund 40 to \$452,773.

Bond Interest and Redemption Fund (Fund 51): The Bond Interest and Redemption Fund is managed by the County and is used to account for bond repayment activities. The Alameda County Auditor determines the amount to tax to be collected every year. The County Treasurer/Tax Collector deposits tax collections to Fund 51 and makes payments to bond holders directly from the Fund.

RECOMMENDATION:

Approve the 2021-22 Unaudited Actuals for all the funds operated by the District and authorize appropriate budget transfers.

FISCAL IMPACT:

The District ends the 2021-22 fiscal year with a higher than anticipated fund balance. This represents funds that are available for future one-time uses. The uncommitted, unrestricted balance that will flow into 2022-23 is \$581,680 more than estimated at the time the 2022-23 budget was adopted.