

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**M E M O R A N D U M**

**TO:** Board of Education

**FROM:** Randall Booker, Superintendent  
Ruth Alahydroian, Chief Financial Officer  
Cheryl Kaiser, Fiscal Services Manager

**DATE:** September 14, 2021

**RE:** **APPROVE THE 2020-21 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; SELF INSURANCE FUND; AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS**

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**I. SUMMARY**

The Piedmont Unified School District's fiscal year ended June 30, 2021. The financial results for the 2020-21 Fiscal Year are provided to the Board for approval before submission to the County Office of Education by September 15. The ending fund balance in each fund is as follows:

<b>ALL FUNDS – ENDING FUND BALANCES</b>		
<b>Fund #</b>	<b>Fund Name</b>	<b>Ending Fund Balance as of June 30, 2021</b>
1	General	\$4,715,595
8	Student Activities (NEW)	338,739
11	Adult Education	105,628
13	Cafeteria	375,434
14	Deferred Maintenance	(156,312)
17 Noda	Special Reserve – Noda	110,557
21	Building	8,337,234
35	State Schools Facilities	3,726
40	Special Res for Capital Facilities	675,802
51	Bond Interest & Redemption	9,507,842
67	Self Insurance (CLOSED)	0
	<b>TOTAL ALL FUNDS</b>	<b>\$24,014,245</b>

As noted in the table above, the 2020-21 General Fund Ending Fund Balance is **\$4,717,595**. The ending balance is further designated as follows:

<b>DETAILS OF GENERAL FUND ENDING BALANCE</b>	
<b><u>Restricted or Unavailable:</u></b>	
Revolving Cash	\$38,363
Restricted	1,050,454.64
Reserve for Economic Uncertainty (3%)	1,345,000
Other Designations – Parents Clubs, donations	<u>530,632</u>
	<b>\$2,964,450</b>
<b><u>Priority Projects:</u></b>	
Beach VRF	\$280,000
Elem play surfaces	75,540
PMS HVAC replacement	107,400
Add'l nurse and health clerks	190,000
COVID-related expenses	<u>150,000</u>
	<b>\$802,940</b>
Add'l Reserves for Board Priorities	<b><u>\$948,205</u></b>
<b>TOTAL GENERAL FUND ENDING BALANCE</b>	<b>\$4,715,595</b>

## **II. 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 2020-21 UA compiles all actual fiscal transactions of the Piedmont Unified School District and presents the District’s financial position for the period July 1, 2020, through June 30, 2021. The UA is submitted to the Alameda County Office of Education (ACOE), and through them, to the California Department of Education (CDE). The District’s auditors, Eide Bailly LLP, will audit the UA to prepare the audited financials by December 2021. The UA and the audited financials are the only comprehensive financial documents submitted to CDE.

## **III. 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, which provides more detailed information for each fund.

**Multiyear Comparisons:** To provide historical context, a multiyear comparison table has been prepared for each fund. Each table compares UA information from 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21. 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 2020-21 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.

**2021-22 Budget:** The 2021-22 Budget, where provided in these documents, is the Adopted Budget as approved by the Board on June 23, 2021. Subsequent changes that are the result of the final State budget, as presented on August 11 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 2020-21, and staffing adjustments over the next weeks. An updated 2021-22 Budget will be shared with the Board in October. This will provide a more complete update of the 2021-22 budget and multiyear projections prior to the official First Interim report in December.

#### **IV. 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 I; 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 \$3.86 million from the Adopted Budget in June 2020 to the final UA in September 2021. The significant changes in revenues were as follows:*

- **LCFF revenue** increased by \$1.79 million from the original budget. The State originally expected a 7.92% decrease in funding; the final State budget raised funding back to prior year levels with a 0% increase.
- **Federal revenue** increased by \$799 K from the original budget. This is \$840 K of COVID funding less the elimination of \$33 K Title 1 funding and reduction in some SPED funding.
- **State revenue** increased by \$1.4 million from the original budget. Several grants contributed to the increase:
  - \$187 K COVID Relief funds (LLM)
  - \$220 K In-Person Instruction Grant (20-21 portion; remaining portion will be recorded in 21-22)

- \$843 K Expanded Learning Opportunity Grant (20-21 portion; remaining portion will be recorded in 21-22)
- \$105 K Lottery revenues
- \$96 K State’s Classified Employees Summer Assistance Program grant (a pass-through – the expense is recognized in Expenditures).
- The **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 calculated the amount and provided it to the District in July 2021. It is based on more current State figures than were used in the original budget, resulting in a difference of \$408 K.
- **Local Revenue** increased overall by \$382 K. The following contributions were added after the original budget adoption:
  - \$62 K from Parent’s Clubs for COVID-related expenses
  - \$39 K from community organizations (Piedmont Arts Fund, PRAISE, PADC, Makers)
  - \$110 K in fees for AP and other tests at high schools (this is offset by the expenses for the tests).

### **Expenditures**

*Expenditures increased by \$3.1 million from the Adopted Budget in June 2020 to the Unaudited Actuals in September 2021. The significant changes in expenditures were as follows:*

- **Certificated salaries** increased by \$1.7 million during the year as funds became available for various purposes.
  - Measure H funds supported a pay increase of 6%, three days added to the schedule (for 2020-21 only), and a one-time stipend of \$761.
  - Teachers received a \$1,000 stipend from the In-Person Instruction grant.
  - COVID funds paid for additional staffing in instructional technology, nursing, and distance learning instruction.
- **Classified salaries** increased by \$594 K during the year as funds became available for various purposes.
  - Measure H funds supported a pay increase of 6%, a one-time stipend of \$2,489, and longevity bonuses for 3, 4, 5, and 25<sup>th</sup> year employees.
  - COVID funds paid for additional health clerks and IT staff.
- **Employee benefits**
  - Benefits increased in relation to the salary increases listed above.
  - Health benefits for vacant positions were budgeted at higher rates than was actualized. This resulted in a net decrease of \$173 K in benefits.
- 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 there. ACOE calculated the amount and provided it to the District in July 2021. It is based on more current State figures than were used in the original budget, resulting in a difference of \$408 K.
- **Books and Supplies** increased by \$475K over the course of the year due to COVID-related spending as follows;
  - \$366 K for computer hardware

- \$99 K for curriculum
- \$50 K for PPE and cleaning supplies
- \$19 K for computer software
- **Services and Operating Expenses** increased by \$844 K over the course of the year due to COVID related expenses as follows:
  - \$118 K for ventilation improvements (Merv 13s, air purifiers)
  - \$98 K for SPED contractors
  - \$74 K for classroom wiring for mics & speakers
  - \$56 K for plexiglass and signage
  - \$48 K for COVID screening and testing
  - \$36 K for communications consultant
  - \$36 K for on-line SPED testing

***Changes in Ending Fund Balance:***

- The increase in revenues was mostly matched with an increase in expenditures. The net increase of \$1.79 million to the Ending Fund Balance can be attributed to the increase in the ending balance from the prior year, 2019-20, that carried through to the end of 2020-21, unspent restricted funds, and COVID funding covering unplanned expenses during the year.
- Components of the Ending Fund Balance include:
  - \$1,345,000 - 3% Reserve for Economic Uncertainties
  - \$1,050,455 - Legally restricted funds
  - \$38,363 - Revolving cash
  - \$530,632 - Reserved as carryover from local sources
- Remaining funds will be set-aside for the following:
  - \$280,000 - Ventilation project at Beach
  - \$107,400 - Ventilation replacement at PMS
  - \$75,540 - Replace play surfaces at elementary sites
  - \$190,000 - Additional health staff for COVID-testing
  - \$150,000 - Additional expenses for COVID-related expenses
- Available for future year shortfalls and other priorities: **\$948,205**

**Student Activities Special Revenue Fund (Fund 8):** The Student Activities Fund was newly established to separately track the financial activities and the account balances of the associated student body (ASB) organizations within the District. Because it is new, Fund 8 only reflects the fund balance on June 30, 2021. In the future, this fund will capture the revenue and expenditure activity as well.

Each ASB maintains its own records of income, expense, and account balances. The balances of the ASB accounts are reported in the audited financial statements of the District as “fiduciary” funds. As a result of new accounting guidance, school districts statewide are incorporating ASB accounts into district financial records. Within the California Schools Standardized Accounting Code Structure, Fund 08 is specifically designated for this purpose.

**Adult Education (Fund 11):** The Adult Education Fund is used to account separately 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.

Adult Education contributes direct support/indirect cost to the General Fund each fiscal year. The fee-based program saw a significant reduction in revenue in 2020-21. As a result, the contribution was reduced to \$38,048.

**Cafeteria Fund (Fund 13):** The Cafeteria Fund is used to separately account for federal, state and local resources used to operate the food service program. The District's food service program includes 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. During 2020-21, there were no food sales, however food service staff supported the District in other capacities throughout the year.

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 separately 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 fund 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. As a result, the fund balance is 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. Interest earnings have accumulated over the past three years resulting in an ending fund balance of \$110,556.

**Building Fund (Fund 21):** The Building Fund is used to account separately for the District's General Obligation Bond funds and the construction funded by the bonds. The first series of Measure H1 General Obligation Bonds was issued for \$26,000,000 in April 2017. The second series was issued for \$30,000,000 in August 2019. The third series was issued for \$10,000,000 in March 2021. During 2020-21, bond funds were used to complete the construction of the STEAM building, and begin construction of the performing arts center. The performing arts center is expected to be complete by December 2021.

**State Schools Facilities Fund (Fund 35):** The State Schools Facilities Fund is required to be used to account separately 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. Prior to 2020-21, donations were made to Fund 40 to support capital improvements at the Alan Harvey Theater (AHT), and rental revenues from Witter field were set-aside for field repairs. In 2020-21, the first installment of a grant from the Piedmont Makers organization was deposited to Fund 40 for infrastructure improvements and equipment for the new Maker's lab in the STEAM building.

**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.

**Self Insurance Fund (Fund 67):** In 2019-20, the funds remaining in this account were transferred back to the General Fund and in 2020-21 this fund was closed. The District is not self-insured and does not need to maintain a separate fund for the type of expenses that were previously charged here.

## **V. RECOMMENDATION: ACTION**

Approve the 2020-21 Unaudited Actuals for all the funds operated by the District and authorize appropriate budget transfers.