

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Jennifer Hawn, Ed.D., Superintendent
Ruth Alahydoian, Chief Business Officer
Cheryl Kaiser, Fiscal Services Manager

DATE: September 13, 2023

RE: **APPROVE THE 2022-23 UNAUDITED ACTUALS FOR ALL THE FUNDS OPERATED BY THE DISTRICT: GENERAL FUND; STUDENT ACTIVITIES; ADULT EDUCATION; CAFETERIA; DEFERRED MAINTENANCE; SPECIAL RESERVE/NODA; 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, 2023. The financial results for the 2022-23 Fiscal Year are presented to the Board for approval before submission to the County Office of Education 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 2022-23 UA compiles all actual fiscal transactions of the Piedmont Unified School District and presents the District’s financial position for the period July 1, 2022, through June 30, 2023. 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, Christy White Associates Inc., will audit the UA to prepare the audited financials by December 2023. 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, 2023
0	General	\$3,549,277
08	Student Activities	313,390
11	Adult Education	2,475
13	Cafeteria	184,823
14	Deferred Maintenance	91,033
17 Noda	Special Reserve – Noda	107,293
35	State Schools Facilities	1,813,599
40	Special Res for Capital Facilities	157,602
51	Bond Interest & Redemption	9,628,165
	TOTAL ALL FUNDS	\$15,847,656

As noted in the table above, the 2022-23 General Fund Ending Fund Balance is **\$3,549,277**. The General Fund ending balance is further designated as follows:

DETAILS OF GENERAL FUND ENDING BALANCE	
Restricted or Unavailable:	
Revolving Cash	\$44,000
Restricted	1,152,899
Reserve for Economic Uncertainty (3%)	1,620,590
Other Designations – Parents Clubs, donations	540,392
Remaining amount	<u>191,396</u>
TOTAL GENERAL FUND ENDING BALANCE	\$3,549,277

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 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23. 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 2022-23 is provided in a separate table. The nine labeled columns show the budget as it was presented to the Board from Adoption to the Unaudited Actuals. The tenth 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.

2023-24 Budget: The 2023-24 Budget, where provided in these documents, is the Adopted Budget as approved by the Board on June 28, 2023. Subsequent changes that are the result of the final State budget, as presented on August 9 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 2022-23, and staffing adjustments over the next weeks. An updated 2023-24 Budget will be shared with the Board in October to provide a more complete 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 IDEA funding for special education; 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 \$291,892 from the Adopted Budget in June 2022 to the final UA in September 2023. The significant changes in revenues were as follows:

- **Local Control Funding Formula (LCFF) increased by \$907K.** During budget development, the State cost of living adjustment (COLA) was slated to be 9.85%. The final State budget authorized the COLA at 13.26%.
- **Federal revenue increased by \$188K** from the original budget. This includes \$129K of the federal portion of COVID recovery funds and \$46K in additional SPED funding.
- **State revenue decreased by \$928K** from the original budget. The net change is the result of the reduction to the AMIM grant and the addition of others:
 - **\$1.97M reduction** to the Arts and Music Instructional Materials (AMIM) Discretionary grant. The original budget assumed \$3.39M. The Final State budget authorized \$1.50M, but this was further reduced to \$1.42M by year-end.
 - **\$200K** - Antibias Grant - applied for and funded after the budget was adopted. The plan is to spend these funds in 2023-24 and 2024-25.
 - **\$173K increase** in Lottery funds received. The additional amount was not known or allocated until April for a portion and June for the final bump.
 - **\$144K** - Pupil Transportation funding - partially reimburses the District for SPED transportation costs.
 - **\$143K** - Learning Recovery Grant - one-time funds used for SPED needs from distance learning year. (This was first authorized at \$167K but was reduced by year-end to \$143K)

- **\$100K** - Kitchen Infrastructure Grant - applied for and funded after the budget was adopted.
 - **\$96K** Classified Employees Summer Assistance Program - this program is a straight pass-through to qualifying classified employees. It is not incorporated into the budget until closing, when the corresponding expenditures are also recorded.
 - **\$68K** Expanded Learning Opportunity Program - ongoing grant that has significant requirements attached to provide additional school time for students. These funds are being held in the Restricted fund balance.
 - **\$59K** - In-Person Instruction Grant - one-time funds for COVID recovery initially granted in 2021. This is the final portion of deferred revenue (unspent) from prior year.
 - **\$56K** - Pre-Kindergarten (TK) one-time planning grant - deferred revenue (unspent) from prior year.
- **STRS on-behalf** is a pass-through revenue with an equal, offsetting expense, that is never deposited in the District's accounts but is required to be reported in our financials. 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 **\$449K reduction** in the revenue line (and the expenditure line as well).
 - **Local Revenue** increased overall by **\$572K**. The following contributions were added after the original budget adoption:
 - PHS collected **\$210K over** the budgeted estimate for fees and donations.
 - \$109K from parent contributions for AP exams. This was offset by the cost of the exams.
 - \$64K from parent and community donations for the performing arts program. This was partially offset by the cost of the productions. Any remaining funds are carried over for the program to spend.
 - \$37K from parent and community donations for other specific departments or programs.
 - PMS collected **\$49K over** the budgeted estimate for donations:
 - \$23K for the performing arts program
 - \$12K for PE Uniforms. This was offset by the cost of the uniforms
 - \$14K from parent and community donations for other specific departments or programs.
 - **\$62K more** than anticipated in Parcel Tax collections
 - **\$61K** from PEF for Spring Fling 2022
 - **\$56K** from Piedmont Arts Fund (through PEF)
 - **\$41K** from Wildwood parents for school site improvements
 - **\$39K** from parent and community donations for the Wellness Center
 - Various other contributions from local sources to support specific work throughout the District. Any such revenues left unspent in 2022-23 will be available to site managers to spend in 2023-24 and are set-aside in the Ending Fund Balance.

Expenditures

Expenditures increased by \$4,254,698 from the Adopted Budget in June 2022 to the UA in September 2023. The significant changes in expenditures were as follows:

- **Certificated salaries** increased by \$1.4M. This represents the 7.5% increase in salaries and \$1,500 one-time bonus approved by the Board in October 2022.
- **Classified salaries** increased by \$1.3M and two bonuses, one for \$2,750 (from Measure H funds approved in August 2022) and the other for \$1,500 approved by the Board in December 2022.
- **Employee benefits** decreased by \$256K. This is a net decrease but represents both the increase linked to the salary increases, and a decrease recognized early in the year as health and other benefits linked to vacancies were identified and reduced.
- 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 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 decrease of **\$449K**.
- **Books and Supplies** increased by a net **\$182K** over the course of the year. This represents the carryover of the unspent funds from the prior year and donations received during the year. We record the carryover and donations in Books and Supplies initially, unless we know the specific use for the funds. Any funds left from donations will be carried over to the 2023-24 budget once we close the 2022-23 accounts.
- **Services and Operating Expenses** increased by **\$1.75M** over the course of the year. The major increases were as follows:
 - **\$1.0M** for SPED related costs that were not anticipated - primarily placements with outside the District.
 - **\$393.6K** in various professional services tied to the donations (see Local Revenues above) received during the year.
 - **\$250.8K** increase in utilities costs
 - **\$157.4K** more in internet-based subscriptions
 - **\$151K** increase in legal costs
 - **\$99K** increase in settlements
 - There were several reductions - costs that came in less than expected:
 - **\$135.2K less** in election costs (original budget was based on compared prior election)
 - **\$126.8K less** in equipment repairs (facilities, trucks)
 - **\$46.3K less** in copier contracts
- **Capital Outlay** increased by **\$270K** from the original budget
 - **\$101K** VRF/HVAC Wildwood
 - **\$81K** various painting, cleaning, repair projects across multiple sites **\$19K** fence replacement due to wind damage (partially covered by insurance)
 - **\$22K** playground upgrade for TK
 - **\$17K** golf cart replacement for facilities/athletics

Changes in Ending Fund Balance:

- The net **increase of \$2.5M** to the Ending Fund Balance can be attributed to the increase in expenditures and the spending down of the prior year's ending balance.
- The District is able to meet the requirement to reserve the equivalent of **3%** of expenditures for economic uncertainty. At 2nd Interim, this did not seem likely.
- The ending balance of **\$3,549,277**, is comprised of::
 - **\$1,620,590** - 3% Reserve for Economic Uncertainties

- **\$1,140,346** - Legally restricted funds
- **\$44,000** - Revolving cash
- **\$540,392** - Reserved as carryover from local sources
- **\$203,949** - Remaining funds will be set-aside to support the budget for 2023-24 and for other Board priorities.

OTHER FUNDS:

The District maintains other funds to track revenues that are restricted for specific purposes and are required to be held in separate funds.

Student Activities Special Revenue Fund (Fund 8): The Student Activities Fund separately 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 balance for the PMS, MHS and PHS ASB's is **\$313,390**.

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. The fund ends the year with a minimal balance of **\$2,475**.

In 2022-23, the expenses for the fee-based Adult Education program were greater than the revenues. Changes have been made to the class fee structure to ensure better alignment. The District will review the status of this program regularly throughout the year to determine next steps if the increase in fees is not sufficient to cover expenses.

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. Starting in 2022-23, the District was required to provide free breakfast and lunch to all students. With a new Nutrition Services Director and new staff at each elementary school, along with existing experienced staff at the secondary school, the program made it successfully through the first year.

The Fund had a balance from prior years of food sales, but the cash in the balance was borrowed in 2019-20 to fund the ventilation (VRF) upgrades at Havens Elementary (see Fund 14 below). The general fund repaid the loan in 2022-23 to replenish the cash balance. An additional investment of \$83,960 was made to support the new program. The elementary students are provided meals through a local vendor. Secondary meals are prepared on-site. The State provided reimbursement at the rate of \$3.16 for each breakfast served and \$5.23 for each lunch served. The District served 89,394 breakfasts and 183,398 lunches. The ending balance is **\$184,823**.

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 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. The loan was repaid in 2022-23 from a contribution from the General Fund. The current balance is **\$91,033**

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 District solicited proposals from art teachers for 2023-24 and will be granting \$8,686 in grants in 2023-24. The current balance is **\$107,293** (actual balance is sufficient to cover grants; fair market valuation reduces balance slightly).

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. 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 reviewed the final expenditures and issued a final report in June 2023. The fund remains open although the balance is zero.

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 school facilities modernization and construction received by the District. The District finally received its allocation for the STEAM and theater projects in April and May of 2023. The amount received in 2022-23 was \$2,697,577. The costs of Witter Field renovations will be paid from this Fund, including the additional appropriation that was received in July. The balance as of June 30, 2023, is **\$1,813,599**.

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 general obligation bonds or the State facilities program. In 2021-22, the District entered into a loan for \$3.2 million to complete the Performing Arts Center (PAC) and to complete ventilation (VRF) improvements at Havens and Wildwood. In addition, \$104K from facilities rental fees was transferred to Fund 40. The loan is repaid from a PEF donation for the theater portion and from District funds for the VRF portion. The loan is paid

through Fund 40. With the State funds now appropriated, the loan will be paid off in 2023-23. The current balance is **\$157,602**.

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 2022-23 Unaudited Actuals for all the funds operated by the District and authorize appropriate budget transfers.

FISCAL IMPACT:

The District ends the 2022-23 fiscal year meeting its 3% reserve requirement, allowing the 2023-24 school year to start on a better foothold than had been anticipated. The uncommitted, unrestricted balance that is available for 2023-24 is **\$191,396**.