

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

(revised 9-10-19 – first page, only as indicated)

TO: Board of Education

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

DATE: September 11, 2019

RE: **APPROVE THE 2018-19 UNAUDITED ACTUALS FOR ALL THE FUNDS OPERATED BY THE DISTRICT: GENERAL FUND; ADULT EDUCATION; CAFETERIA; DEFERRED MAINTENANCE; SPECIAL RESERVE/NODA; SPECIAL RESERVE/PARCEL TAX; BUILDING; STATE SCHOOL FACILITIES FUND; CAPITAL FACILITIES; BOND INTEREST AND REDEMPTION FUND; SELF INSURANCE FUND; AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS**

I. SUMMARY

The Piedmont Unified School District’s fiscal year ended June 30, 2019. The financial results for the 2018-19 Fiscal Year are provided to the Board for approval before submission to the County Office of Education by September 16. The ending fund balance in each fund is as follows:

Fund #	Fund Name	Ending Fund Balance as of June 30, 2019
1	General	\$2,464,423
11	Adult Education	421,375
13	Cafeteria	815,994
14	Deferred Maintenance	161,723
17 Noda	Special Reserve – Noda	104,881
17 Res	Special Reserve – Parcel Tax	0
21	Building	16,776,790
35	State Schools Facilities	3,579
40	Special Res for Capital Facilities	414,763 444,763
51	Bond Interest & Redemption	8,920,097
67	Self Insurance	7,284
	TOTAL ALL FUNDS	\$30,090,909 \$30,120,909

As noted in the table above, the 2018-19 General Fund Ending Fund Balance is \$2,464,423. The ending balance is further designated as follows:

Revolving Cash	\$36,080
Restricted	204,424
Reserve for Economic Uncertainty (3%)	1,287,185
Other Designations	821,319
Additional Reserve	115,415
TOTAL GENERAL FUND ENDING BALANCE	\$2,464,423

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 2018-19 UA compiles all actual fiscal transactions of the Piedmont Unified School District and presents the District’s financial position for the period July 1, 2018, through June 30, 2019. 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, Vavrinek, Trine, Day and Company, LLP will audit the UA to prepare the Audited Financials by December 2019. 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 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19. 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 one for expenditures.

Progression through the year: For the General Fund, the progression from Adopted Budget to Unaudited Actuals for 2018-19 is provided in a separate table. The five columns show the budget as it was presented to the Board from Adoption through the October Update, First and Second Interim Reports, and the Unaudited Actuals. The sixth and seventh columns calculate the difference from the Adopted Budget to the Unaudited Actuals.

For the other funds, the Estimated Actuals for 2018-19 and the Adopted Budget for 2019-20 are shown in the multiyear comparison table in the two shaded columns on either side of the 2018-19 UA.

2019-20 Budget: The 2019-20 Budget provided in these documents is the Adopted Budget dated June 26, 2019. The budget will be revised to incorporate the results from 2018-19, revised funding information, and updated enrollment and staffing calculations. Staff is planning on presenting an updated 2019-20 Budget to the Board in October 2019. This will enable the Board and the public to review and comment on the 2019-20 budget projections prior to the official First Interim report filing in December 2019.

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 and local property taxes; Federal funds such as Title I; other State funds such as lottery, one-time mandated costs reimbursements, and the STRS & PERS on-behalf revenues; and local revenues including Parcel Tax Measure A, Piedmont Education Foundation donations, and Support Group donations.

Changes in Revenues since 2nd Interim – (greater than \$40K or 0.1% of total revenues - see far right column in comparison table):

- LCFF revenue increased by \$293K from projections at 2nd Interim. This was the result of prior year adjustments that were received during 2018-19. The ongoing (2019-20) base funding is not affected.
- State revenue decreased by \$140K from 2nd Interim because a grant for career technical education was moved from State funds to local revenue. Offsetting that decrease was an increase of \$68K from lottery revenue for a net decrease of \$72K.
- STRS and PERS On-behalf payments increased from 2nd Interim by \$1.8M due to the State contribution to the two pension funds as part of the 2019-20 Budget Act. The legislation requires districts to record the contributions as on-behalf payments in 2018-19. A corresponding expenditure is recorded to offset the revenue.
- Local Revenue increased by \$367K from the 2nd Interim. Some of the resources that came in higher than budgeted were from:
 - CTE Grant – moved in budget from State Revenue to local - \$139K
 - Facility rentals - \$76K
 - Interest - \$24K
 - Vocal & Instrumental music programs - \$25K (for travel costs)
 - Various other parent donations for specific purposes

Most of these funds had corresponding expenditures or will be carried over to be spent in 2018-19.

Changes in Expenditures (greater than \$40K or 10% of total expenditures):

- Employee benefits came in \$56K higher than the 2nd Interim due to various unanticipated overtime and pay-outs for vacation and retirements.
- Books and Supplies ended the year approximately where the original budget started. However during the year, as local revenues were received, the budget for books and supplies increased. The comparison of actual expenditures to what was budgeted in 2nd interim show that the budget was underspent by \$437K. Included in the unspent amount are approximately \$399K in purchases that were made at the end of the year for 2019-20. Those purchases are recorded as part of the fund balance, and will be shown as expenses in 2019-20.
- Services and Operating Expenses increased by \$900K from the Adopted Budget, however \$156K of that increase was not actually spent. The largest increase over the course of the year was for special education costs, including legal settlements. Not all of the anticipated costs were ultimately incurred. In addition, the expenses for the instrumental music trip, which were offset by increased revenue, were not originally budgeted.

Changes in Ending Fund Balance:

- The increase of \$1.1M to the Ending Fund Balance is the net difference between the increase in LCFF and local revenues and the decrease in SPED and the deferral of other purchases to be recorded in 2019-20.
- Components of the Ending Fund Balance include:
 - 3% Reserve for Economic Uncertainties - \$1,287,185
 - Legally restricted funds - \$204,424
 - Revolving cash - \$36,080
 - Designated carryover from local sources - \$312,262
 - Designated set-aside for maintenance – to meet our 2% required set-aside for RRMA - \$30,000
 - Set-aside for textbook adoption - \$80,000
 - And a small additional reserve - \$115,415

Adult Education (Fund 11): The Adult Education Fund is used to account separately for state and local revenues for adult education programs. Money in this fund is to be expended for adult education purposes only. Piedmont USD's Adult Ed program offers both State-funded courses such as diploma completion, and fee-based classes, such as cooking. The Speaker Series, bringing education-focused speakers throughout the year for the community, is also run through the Adult Ed Fund. The sources of revenue were State funds through the Adult Education Block Grant, and local funds through fees and donations. The District served as the lead for the Northern Alameda County Consortium for Adult Education in 2014-15 through 2016-17 and distributed funds received from the State in 2014-15 to other districts. Starting in 2017-18, the State provides a block grant directly to the District. Adult Education has been contributing direct support/indirect cost of \$120,000 to the General Fund each fiscal year.

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. The fund balance in the Cafeteria Fund has been increasing over the past few years and has allowed the fund to contribute toward indirect costs to the General Fund, though not at the fully allowable rate.

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.

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 \$104,881.

For State reporting purposes, the NODA funds are held in Fund 17 as part of the District's Special Reserve, but are accounted for separately by the District.

Special Reserve Fund – Parcel Tax (Fund 17): The Parcel Tax reserve was established to set-aside funds in the early years of a parcel tax measure to support the increased cost of programs in the final years of the measure. The transfer from Measure A was made in 2015-16 and was transferred back to the General Fund in 2018-19. Measure A was approved by voters in March 2013 and will end in 2021.

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 were issued for \$26,000,000 in April 2017. During 2018-19, bond funds were used for pre-construction expenses related to the STEAM building, including demolition and site preparation work. The H1 projects also incurred project management and other soft costs.

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. This Fund includes two sources of funds: donations to support capital improvements at the Alan Harvey Theater (AHT), and Witter field rental

revenues set-aside for field repairs. In 2018-19, various expenses related to Witter field were paid from this fund.

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 Fund 51 and makes payments to bond holders directly from the Fund.

Self Insurance Fund (Fund 67): This fund is established to account for funds spent on self-insurance activities to reduce insurance costs. For example, this fund has been used to purchase ergonomic furniture to prevent workers compensation claims. In 2018-19, \$450 was spent on ergonomic improvements. The Fund has a balance of \$7,284.

V. RECOMMENDATION: ACTION

Approve the 2018-19 Unaudited Actuals for all the funds operated by the District: General Fund, Adult Education, Cafeteria, Deferred Maintenance, Special Reserve/NODA, Special Reserve/ Parcel Tax, Building, State School Facilities, Capital Facilities, Bond Interest and Redemption, Self Insurance Fund, and authorize appropriate budget transfers.