

Pleasant Valley School District
2013-14 Second Interim Budget Report
March 6, 2014

Introduction

A school district budget is a living document which changes throughout the year in order to accurately reflect the latest financial requirements and operational practices. Consistent with the requirements of AB1200 Pleasant Valley School District updates their budget three times a year following adoption; 45-day revise, First Interim Budget Report (based on activity through October), and Second Interim Budget Report (based on activity through March). These updated reports must be forwarded to the Ventura County Office of Education for review prior to being sent to the State. Staff is providing the Board of Trustees with the 2013-14 Second Interim Budget Report reflecting revenues and expenditures based on the information available at the time. As more information becomes available, especially regarding the Local Control Funding Formula, the budget will be updated. Staff is requesting the Board approve the 2013-14 Second Interim Budget as presented.

Background

Passed in 1991, AB 1200, in conjunction with education codes relating to budget preparation, adoption, and interim revisions, were created because of the need to ensure that local educational agencies throughout California adequately prepare to meet their financial obligations. AB 1200 is a statewide plan for county offices of education and school districts to work together on the local level to improve fiscal procedures, standards, and accountability. The law was rooted in the concerns that arose following the bankruptcy of Richmond School District, and the fiscal collapse of a few other districts that were preparing to seek emergency loans from the State. AB 1200 expanded the role of county offices of education in monitoring school districts and mandates that they intervene, under certain circumstances to ensure districts can meet their financial obligations. The passage of AB 1200 sent a strong message to local educational agencies to put and keep their finances in order.

Passed in 2004, AB 2756 mandated significant revisions to the criteria and standards to improve the fiscal monitoring and oversight of school districts. Effective June 2008, it was further amended to update the formulas and methodologies used by districts in calculating budget projections and to require school districts to provide supplemental information under specified circumstances.

Discussion

With the passage of the Local Control Funding Formula (LCFF), the previous school finance system was completely overhauled. The LCFF replaced the revenue limit funding and more than 40 categorical programs with base grants per pupil. In addition, supplemental and concentration funding is provided via percentage "weights" for students who are English Learners, from low-income families, or in foster care. As the flexibility of the LCFF is implemented, there will be a number of accounting changes. These changes do not affect the amount of the funding, just how they are recorded.

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The attached schedule presents the revenues, expenditures and ending fund balance for the 2013/14 Second Interim Budget. The Budget has been divided into three categories; Unrestricted Operations (Column I), Unrestricted Programs (Column II) and Restricted Programs (Column III). Adjustments made to the Budget reflect current information and includes the effect of settled negotiations with both bargaining units, as well as unrepresented classified and management staff.

Unrestricted Operations

The majority of the District's funding and expenditures are related to the ongoing operations of the District. The largest change since First Interim is the move of accounting for \$2.3 million in K-3 Class Size Reduction funding from Unrestricted Programs to Unrestricted Operations. The latest estimate for LCFF funding is \$38.9 million, a decrease of \$150,000 from First Interim. Expenditures have been adjusted to reflect the cost of the salary and benefit increases from the negotiated settlements. Other expenditures reflect increases in technology and utility costs, while at the same time decreases in costs for vacancies, substitutes and legal services. The ending fund balance increased \$245,000 from First Interim. A \$123,700 of the increase is reserved for the teacher restoration day in June 2014.

Unrestricted Programs

These programs are considered unrestricted and have varying degrees of flexibility. However, they are focused on services identified as a need by the District or required by the State. For example, under LCFF, funding for Deferred Maintenance, Transportation, Targeted Instructional Improvement and Economic Impact Aid is now unrestricted. However, the District still has an obligation to maintain its facilities, transport students and provide additional services for socio-economically disadvantaged students and English language learners. How the District provides these services has become more flexible. Other programs included in this category are GATE, Lottery, K-3 Class Size Reduction and the Education Protection Account. The District also uses this category to track expenses related to donations and the implementation of the District's technology vision.

Revenues and expenditures have been adjusted to reflect the move of accounting for \$2.3 million in K-3 Class Size Reduction funding from Unrestricted Programs to Unrestricted Operations. Other than this adjustment, total revenue and expenditures have stayed the same since First Interim.

Restricted Programs

These programs have specific guidelines on their use and often require reporting how the funds were spent to a Federal or State agency. Examples of programs in this category are Title I, Prop 20 Lottery, Prop 39 California Clean Energy, Special Education and CCSS Implementation funding. Local revenue is up slightly from First Interim due to the receipt of one-time Special Education funding. Expenditures have increased mainly due to the implementation of negotiated salary and benefit increases. Other expenses, such as supply, substitutes and excess costs have been adjusted based on year to date activity and information. The General Fund contribution to Special Education programs went up by \$72,000 as a result of staffing changes and the salary and benefit increases.

Instructional Program Implications

The 2013/14 budget reflects the Board's focus on supporting effective instruction. The school year has been extended to 180 days, an increase of five days over the previous year. Resources have been aligned to support technology in the classroom, staff development and a safe environment. The LCFF requires districts to adopt a Local Control Accountability Plan (LCAP). The LCAP will identify local goals focused on improved student outcomes and aligned to the District's spending plan.

Facilities

Our facilities have significant needs in terms of maintenance and repair. In addition to the transfer of \$245,269 to the deferred maintenance fund, the general fund includes \$473,000 of building lease income dedicated to facility and maintenance needs.

School Community and Public Support

The Financial Report will be posted on the District's webpage and is available for review at the District Office as a means to keep the public informed of the District's financial status.

Budget Impact

Please see the attached budget document for a financial overview and information on budget assumptions.

District Policy Impact

The recommendations included in this report are consistent with the board of Education policies.

Prepared & Reviewed by

The above information was prepared by Cathy Bojorquez, Chief Business Official. If you have any questions, please contact Cathy at 805-383-1563.

Recommendations

The Superintendent recommends the Board approve the 2013/14 Second Interim Budget Report as presented.

**Pleasant Valley Elementary School District
2013-14 Second Interim Budget**

	I Unrestricted Operations	II Unrestricted Programs	III Restricted Programs	IV Total Budget
Revenue				
8010-8099 LCFF/Revenue Limit	28,746,884	5,769,798	1,077,481	35,594,163
8100-8299 Fed Revenue	30,000	67,318	2,365,864	2,463,182
8300-8599 Othr State Rev	310,726	3,984,639	1,801,720	6,097,085
8600-8799 Local Revenue	892,664	558,001	4,357,918	5,808,583
Total Revenue	29,980,274	10,379,756	9,602,983	49,963,013
Expenditures				
1000 Certificated Salaries	14,167,634	6,360,337	4,205,761	24,733,732
2000 Classified Salaries	3,929,600	253,849	2,669,369	6,852,818
3000 Employee Benefits	6,615,368	911,605	1,980,047	9,507,020
4000 Books & Supplies	926,215	2,846,995	1,686,648	5,459,858
5000 Services & Contracts	2,664,637	1,668,108	1,149,443	5,482,188
6000 Capital Outlay	38,340	10,000	-	48,340
7000 Other Outgo	(15,869)	8,453	1,558,199	1,550,783
Subtotal Expenditures	28,325,925	12,059,347	13,249,467	53,634,739
Other Financing Sources/Uses				
Contributions	(3,406,687)	(281,461)	3,688,148	-
Interfund transfer out	-	(245,269)	-	(245,269)
Subtotal Other Financing	(3,406,687)	(526,730)	3,688,148	(245,269)
Total Expenditures	31,732,612	12,586,077	9,561,319	53,880,008
Net Increase/(Decrease)	(1,752,338)	(2,206,321)	41,664	(3,916,995)
Beginning Balance	9,611,891	2,888,227	985,627	13,485,745
Ending Balance	7,859,553	681,906	1,027,291	9,568,750
Reserves:				
Cash	5,250			5,250
Legally Restricted			1,027,291	1,027,291
Designated Econ Uncert	1,616,401			1,616,401
Instructional Materials Adoption	2,000,000			2,000,000
Equipment (Busses, mowers)	192,045			192,045
Tier III Instr Material Program		671,605		671,605
Program Balances		10,301		10,301
Restoration of Day - PVEA	123,700			123,700
Budget Stabilization	3,922,157			3,922,157