

# Fullerton Joint Union High School District

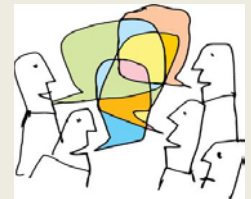
## Second Interim Financial Report for Period Ending January 31, 2016

Board of Trustees Meeting  
March 8, 2016



# Discussion Overview

- Second Interim Report Overview
  - Requirements
  - Definitions
- Current Year Review (2015/16)
  - Budget
  - General Fund Assignments
  - Cash Flow
- Ending Fund Balance, Assignments, and Reserves
- Multi-year Projection (2015/16 – 2017/18)
  - Assumptions
  - Projection
- Conclusion/Recommendation
  - Observations
  - Fiscal Solvency Statement
  - Staff Recommendation



2015/16 Second Interim Report

# **INTERIM REPORT OVERVIEW**



# Requirements

- Ed Code Section 42130 – Interim Reports
  - October 31<sup>st</sup> – actuals + year-end projection
  - January 31<sup>st</sup> – actuals + year-end projection
- AB 1200 – Fiscal Solvency
  - Current year (2015/16)
  - Two subsequent years (2016/17 & 2017/18)
- Certification
  - Financial Solvency
  - Criteria & Standards



# Definition of Terms

- Positive Certification
  - Shall be assigned to a district that will meet its financial obligations for the current plus two subsequent fiscal years.
- Qualified Certification
  - Shall be assigned to a district that may not be able to meet its financial obligations for the current plus two subsequent fiscal years.
- Negative Certification
  - Shall be assigned to a district that will be unable to meet its financial obligations for the current plus one subsequent (following) fiscal year.



2015/16 Second Interim Report

# **CURRENT YEAR REVIEW**



# 2015/16 Combined General Fund Budget



Revenues		\$ 162,711,209
Expenditures		
Certificated Salaries	\$ 67,654,413	
Classified Salaries	\$ 18,738,093	
Benefits	\$ 34,212,131	
Books & Supplies	\$ 9,891,891	
Services & Other	\$ 15,679,288	
Capital Outlay	\$ 1,274,699	
Other Outgo	\$ 8,928,484	
Transfers	<u>\$ (\$53,738)</u>	
Total Expenditures		\$ <u>156,325,261</u>
Excess (Deficiency)		\$ 6,358,948
Other Sources/Uses (Special Reserve – Fund 17)		\$ 805,177
Interfund Transfers Out		<u>\$ (269,450)</u>
Net Increase (Decrease)		\$ 6,921,675

Includes  
\$3.4 million  
GASB 68  
STRS On Behalf  
Accounting Entry

# 2015/16 Combined General Fund Ending Balance



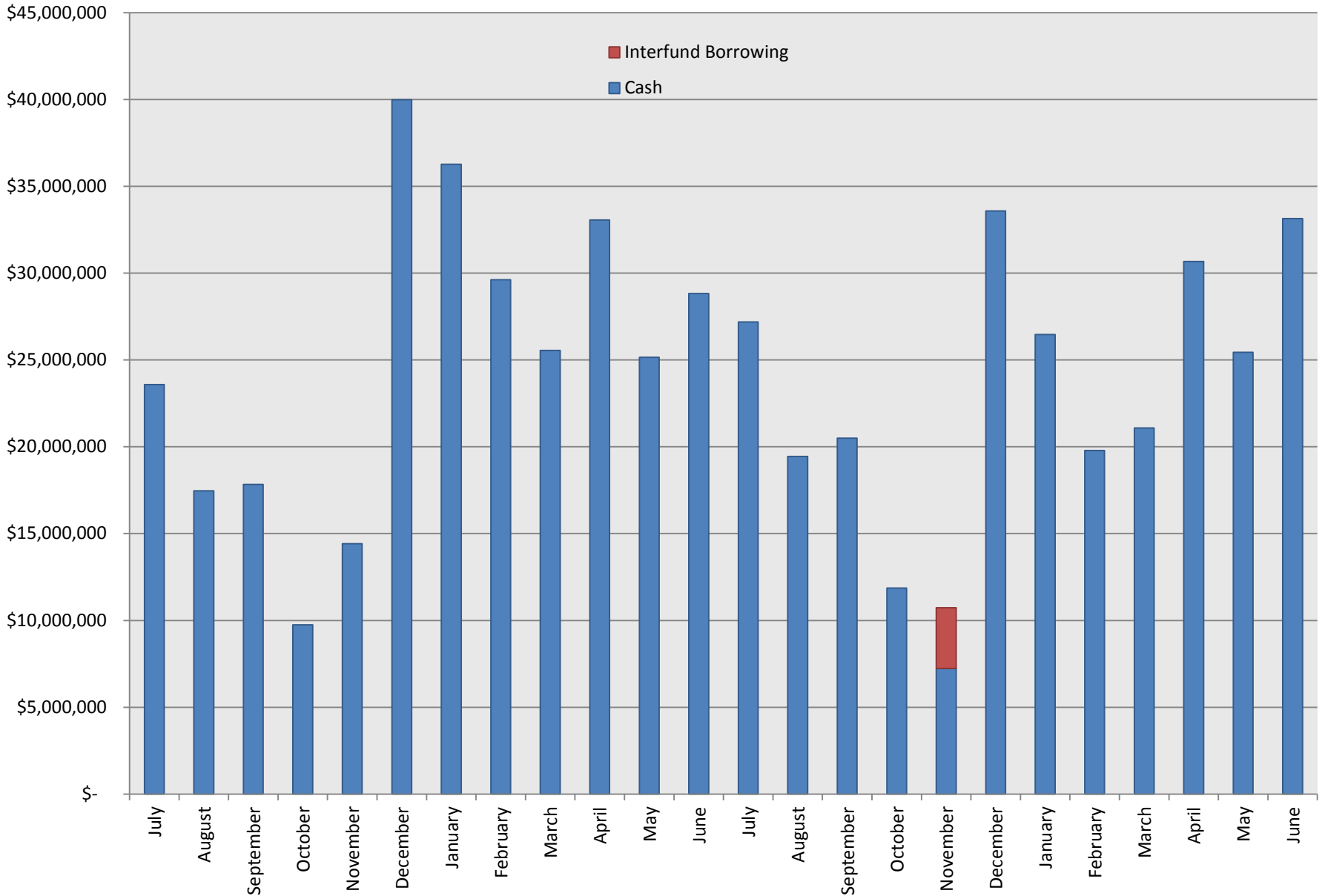
Beginning Fund Balance	\$ 21,661,078
Net Increase (Decrease)	<u>\$ 6,921,675</u>
Total Ending Fund Balance	\$ 28,582,753

## Components of Ending Fund Balance

Revolving Cash, Stores, Prepaid	\$ 301,242
Legally Restricted	\$ 1,903,997
Other Assignments	\$14,066,086
3% Reserve for Economic Uncertainty	\$ 4,696,636
Unrestricted/Unassigned/Unappropriated	<u>\$ 7,614,792</u>
Total Ending Fund Balance	\$ 28,562,753



# Monthly Ending Cash Balance Projection July 2015 - June 2017



2015/16 Second Interim Report

# **ENDING FUND BALANCE, ASSIGNMENTS, AND RESERVES**





# 2015/16 Fund Ending Balance Other Assignments (Unrestricted)

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Furniture	50,000	50,000	50,000
Textbook Adoptions/Instructional Materials	1,500,000	1,500,000	1,500,000
Summer School	9,208	9,208	9,208
Vehicle Replacement	100,000	100,000	100,000
Technology Reserve	350,000	350,000	350,000
One-time Mandate Funds	7,407,904	7,407,904	7,407,904
One-time Prop 98 Funding		2,847,700	2,847,700
LCAP Supplemental Reserve (2015/16)	143,181	286,362	429,543
LCAP Supplemental Reserve (2016/17)		463,853	927,706
LCAP Supplemental Reserve (2017/18)			635,243
Unrestricted Site Carryover	1,218,344	1,218,344	1,218,344
Unrestricted Lottery Carryover	3,287,449	3,287,449	3,287,449
<b>Total Assignments</b>	<b>14,066,086</b>	<b>17,520,820</b>	<b>18,763,097</b>



# Accessible Reserves as of 1/31/16

<u>Description</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Gen Fund Unassigned/Unappropriated	7,614,792	8,223,864	6,304,935
Special Reserve (Fund 17)	4,379,168	3,582,749	2,784,738
GASB OPEB Set-aside (Fund 20)	7,949,615	7,969,615	7,989,615
Total	19,943,575	19,776,228	17,079,288

## Notes:

- General Fund Unassigned/Unappropriated – needed to balance out-year shortfalls
- \$805,117 transferred annually from Fund 17 to the General Fund, Fund 17 will be exhausted in 2020/21
- Fund 20 used for cash flow borrowing



2015/16 Second Interim Report

# **MULTI-YEAR PROJECTION**





# LCFF Revenue Assumptions

<u>Year</u>	<u>LCFF Funding</u>	<u>Actual Increase</u>	<u>Funded ADA</u>	<u>Change</u>	<u>Gap Funding %</u>
14/15	\$114.7	\$8.1 m	13,906	(36)	30.16%
15/16	\$125.0	\$10.3 m	13,929	23	51.97%
16/17	\$128.9	\$3.9 m	13,766	(163)	49.08%
17/18	\$131.2	\$2.3 m	13,767	1	27.56%
18/19	\$134.3	\$3.1 m	13,767	0	32.25%
19/20	\$136.0	\$1.7 m	13,578	(189)	33.05%

## Notes

- 2015/16 adjusted base grant amount per student = \$8,801
- Unduplicated free and reduced-price meal qualified students = 48.68%
- 163 decline  $\approx$  \$1.4 m, 189 decline  $\approx$  \$1.6 m
- Staffing is projected at status quo

# General Fund Multi-Year Projection

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Gap Funding %	51.97%	49.08%	27.56%
Revenues <sup>1</sup>	\$162,711,209	\$161,240,421	\$ 160,489,617
Total Expenditures	<u>156,325,261</u>	<u>156,669,170</u>	<u>160,335,919</u>
Excess (Deficiency)	6,385,948	4,571,252	153,697
Net Sources/Uses (Transfers)	<u>535,727</u>	<u>535,727</u>	<u>535,727</u>
Net Increase (Decrease)	6,921,675	5,106,979	689,424
Beginning Fund Balance	<u>21,661,078</u>	<u>28,582,753</u>	<u>33,689,732</u>
GF Ending Fund Balance	\$ 28,582,753	\$ 33,689,732	\$ 34,379,156

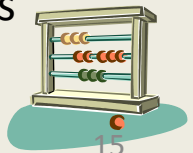
GF "U-3" Ending Balance <sup>2</sup>	\$ 7.7 m	\$ 8.2 m	\$ 6.3 m
Reserves <sup>3</sup> /Expenditures	7.8%	8.2%	6.9%



<sup>1</sup>State revenue projections under LCFF funding assume School Services projections

<sup>2</sup>Unrestricted/Unassigned/Unappropriated

<sup>3</sup>3% Required Reserves + Unrestricted/Unassigned/Unappropriated



2015/16 Second Interim Report

# **CONCLUSION/RECOMMENDATION**







# Observations

- Declining Enrollment
  - -163 in 2015/16 ( $\approx$ \$1.4 million ongoing)
  - -189 in 2018/19 ( $\approx$ \$1.6 million ongoing)
  - Increases in the LCFF gap funding rate have assuaged declining enrollment impacts
- Staffing is projected at status quo
- Deficit Spending is projected in out-years
  - 2018/19 (**\$0.6 m**)
  - 2019/20 (**\$2.8 m**)
- Supplemental Funding
  - 2016/17 LCAP Supplemental budget is under development
  - Anticipated expenditures held as reserve assignments in 2016/17 and 2017/18
  - MYP assumes 100% of supplemental funding is treated as increased spending
- State Taxes – Prop 30
  - $\frac{1}{4}$  cent sales tax ends December 2016
  - Personal income tax for high income earners ends December 2018



# Observations

- Ending Balance and Ending Balance Assignments
  - Not all balances are available
  - One-time monies can only be spent once
  - Anticipated expenditures yet to be budgeted are held as reserve assignments
- Negotiations are in progress
- School finance is a dynamic organism
  - Interim reports are only a snapshot of a constantly evolving process
  - Governor's May Budget Revision will contain changes

# Fiscal Solvency Statement



Although it is not anticipated in 2015/16, mid-term (3-5 years) revenue and expenditure projections indicate the District has not yet fully resolved its deficit spending imbalance. In order to balance the budget and meet multiple-year projection solvency requirements, the Board of Trustees will draw-down unallocated reserves, if necessary. Shortfalls, if any, over the next several years will likely require a combination of budget reductions and reserves draw-down in order to maintain fiscal solvency.

In submitting the 2015/16 Second Interim Report as positive, the Board of Trustees understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

# Recommendations



- ✓ Approve second interim financial report
- ✓ Approve positive second interim certification
- ✓ Acknowledge fiscal solvency statement

It is recommended that the Board of Trustees approve a positive certification of the Second Interim Report attesting the District will meet its financial obligations for the current plus two subsequent fiscal years, and that the Superintendent be authorized to submit the positive certification and Second Interim Report to the County Superintendent of Schools.