



MEMORANDUM

DATE: May 23, 2018

TO: Board of Trustees

FROM: Kyla Johnson-Trammell, Superintendent
Linda Wu, Financial Officer

RE: 2017-18 Third Interim Report - Briefing for Board

The purpose of this memo is to provide the background and summary of the District's 2017-18 Third Interim Financial Report. Also attached is the PowerPoint with additional information for the Board meeting. The Board will be asked to approve the report to submit to the Alameda County Office of Education (ACOE). The Board will also be asked to approve the changes to the budget that are reported in the Third Interim (Budgetary Increases/Decreases and Transfers). The agenda package includes separate resolutions for these actions.

Third Interim Report – Background: California school districts are required to file a first and second interim report with their county office of education; if either of the reports is “qualified”, a third interim report is required. The Third Interim Report provides the District's financial picture as of April 30, 2018. After budget adoption in June, the District adjusts its budget periodically to incorporate current information. The Second Interim Budget, presented to the Board on March 14, 2018, is used as the point of comparison for Third Interim. After Board approval, the Third Interim Report is submitted to the ACOE by June 1. ACOE will review it and provide comments back to the District, and will report to the State within 75 days.



Unrestricted General Fund Results: The table below compares the revenues and expenditures of the Third Interim to the Second Interim.

Unrestricted	Second Interim	Difference	Third Interim
	3/14/2018		5/23/2018
A. REVENUE			
1. LCFF Sources	362,233,213	1,854,092	364,087,305
2. Federal	63,500	-	63,500
3. State	13,347,383	(282,715)	13,064,667
<i>1a. 1X Funds - Obj 8550</i>			-
4. Local	35,369,881	(124,800)	35,245,081
Total Revenue	411,013,977	1,446,577	412,460,554
B. EXPENDITURES			
1. Certificated	139,621,434	109,330	139,730,764
2. Classified	57,165,415	(213,037)	56,952,379
3. Benefits	47,028,951	(110,441)	46,918,511
<i>3a. H&W Costs</i>	<i>34,445,429</i>	<i>1,807,632</i>	<i>36,253,061</i>
4. Books & Supplies	5,617,387	410,424	6,027,811
4a. Midyear Adjustments	210,030	(210,030)	-
4b. Surplus	1,829,978	(439,468)	1,390,510
5. Contracts & Services	38,983,960	1,686,261	40,670,221
<i>5a. Sub Agreements</i>	<i>-</i>	<i>-</i>	<i>-</i>
6. Capital Outlay	69,854	12,862	82,717
7. Other Outgo	6,087,521	-	\$6,087,521
8. Direct Support/Indirect Costs	(4,935,411)	(633,239)	(5,568,650)
9. Interfund Transfers (Trnsf Out-In)	2,653,394	(59,506)	2,593,888
10. Contributions to Restricted Prog	71,006,060	-	71,006,060
Total Expenditures	399,784,003	2,360,789	402,144,792
C. Net Incr/Decr to Fund Balance	11,229,974	(914,212)	10,315,762
D. Fund Balance, Reserves			
1. Beginning Fund Balance	3,420,073	-	3,420,073
2. Ending Balance (C+D1)	14,650,047	(914,212)	13,735,835

Revenues: Unrestricted revenues increased by approximately **\$1.4 million** based primarily on the following:

The increase in Local Control Funding Formula (LCFF) Revenue in the amount of \$1.8M is the result of an increase in the current ADA from projection used at Second Interim. In addition, State Revenues were reconciled resulting with a decrease in Lottery funds by \$282k.



Expenditures: Unrestricted expenditures increased by approximately **\$2.4 M** from the Second Interim Budget.

- **Salaries, Supplies, Services & Equipment**
- ✓ **\$3M** overall increase in expenditures are a result of anticipated increase in health & welfare costs as well as an increase in transportation.

Fund Balance: The net result is an Unrestricted Ending Fund Balance that is \$914k less than Third Interim Budget.

Unrestricted	Second Interim	Difference	Third Interim
	3/14/2018		5/23/2018
C. Net Incr/Decr to Fund Balance	11,229,974	(914,212)	10,315,762
D. Fund Balance, Reserves			
1. Beginning Fund Balance	3,420,073	-	3,420,073
2. Ending Balance (C+D1)	14,650,047	(914,212)	13,735,835
3. Revolving Cash and/or Prepaid Exp	150,000	-	150,000
4. Other Designations	-	-	-
5. Reserve Economic Uncertainty	14,500,047	(914,212)	13,585,835

Based on the 3rd Interim Budget Update, The District is estimated to meet the required reserve for economic uncertainty, required by the State at 2% but not the Board’s 3%. Due to the new efforts made by the District to better forecast the year-end closing of the books, The District is estimated to close the books closer to a 1.57% reserve. An updated projection will be provided at the 2018-19 Budget Adoption.

Cash Flow:

Cash flow for projected months (05/01/2018 to 06/30/18) are primarily based on Federal, State and Local cash payment schedules and prior year actuals. To have sufficient cash on hand to close out the current fiscal year (2017-18) and to meet financial obligations, the District temporarily borrowed \$26 million in October 2017. The temporary loan is scheduled to be paid back in May of 2018. Although the Deferrals were eliminated the past few years, State funding are still apportioned over twelve uneven payments. The temporary borrowing has helped OUSD meet some of its cash needs for the fiscal year. With repayment of temporary borrowing, the 2017-18 Cash Flow projections reflect positive cash balance of \$23.84 million.



Actual Cash Balance	July 2017 Actual	August 2017 Actual	September 2017 Actual	October 2017 Actual	November 2017 Actual	December 2017 Actual
Beginning Cash	\$ 23,822,827	\$ 13,123,012	\$ 12,139,338	\$ 16,364,564	\$ 13,005,105	\$ 7,101,630
Total Receipts	17,765,515	14,064,227	42,463,665	26,066,616	27,793,928	103,206,461
Total Disbursements	15,672,714	20,146,701	42,200,394	47,528,629	47,619,170	46,754,583
A/R & A/P	(12,792,616)	5,098,801	3,961,954	18,102,554	13,921,767	(12,091,897)
Net Increase / Decrease	(10,699,815)	(983,674)	4,225,226	(3,359,459)	(5,903,475)	44,359,982
Ending Cash	\$ 13,123,012	\$ 12,139,338	\$ 16,364,564	\$ 13,005,105	\$ 7,101,630	\$ 51,461,612
Actual Cash Balance	January 2018 Actual	February 2018 Actual	March 2018 Actual	April 2018 Actual	May 2018 Projected	June 2018 Projected
Beginning Cash	51,461,612	47,315,361	34,295,602	52,522,027	61,934,576	27,134,959
Total Receipts	39,382,663	22,490,390	71,483,419	57,361,474	40,220,664	79,672,924
Total Disbursements	44,533,503	47,867,323	44,916,986	48,058,977	53,904,493	80,067,724
A/R & A/P	1,004,588	12,357,175	(8,340,008)	110,052	(21,115,788)	(2,896,186)
Net Increase / Decrease	(4,146,251)	(13,019,759)	18,226,425	9,412,549	(34,799,617)	(3,290,986)
Ending Cash	\$ 47,315,361	\$ 34,295,602	\$ 52,522,027	\$ 61,934,576	\$ 27,134,959	\$ 23,843,973

Multiyear Projections: An essential part of interim reporting is the multiyear projections. Using a reasonable set of assumptions about future years, the District has projected an increase in the unrestricted fund balance over the next two years. These results are based on stable enrollment and an increase in funding from LCFF assuming 100% of gap funding in 2018-19 and 0% of gap funding in 2019-20.

The other key assumptions are cost of living increases (which are incorporated into the LCFF full funding levels), step and column increases, the growth in health and retirement benefits, and removing or adding one-time items. The unrestricted General Fund is estimated to increase over the next two years.

Regarding restricted balances, FY18/19 is being reconciled. The allocations of expenses may change by decreasing the ending fund balance. More updated information will be provided as a part of Budget Adoption.



Unrestricted	Third Interim		18-19	19-20
	5/23/2018		Projected	Projected
A. REVENUE				
1. LCFF Sources	364,087,305	A	381,939,996	387,428,968
2. Federal	63,500		63,500	63,500
3. State	13,064,667	B	7,201,249	7,374,799
<i>1a. 1X Funds - Obj 8550</i>	-		10,425,146	-
4. Local	35,245,081	C	33,302,135	33,302,135
Total Revenue	412,460,554		432,932,026	428,169,402
B. EXPENDITURES				
1. Certificated	139,730,764		149,494,334	143,126,872
2. Classified	56,952,379		57,398,522	55,690,507
3. Benefits	46,918,511		50,788,615	53,106,575
<i>3a. H&W Costs</i>	<i>36,253,061</i>		<i>41,312,089</i>	<i>42,314,042</i>
4. Books & Supplies	6,027,811		5,520,561	5,178,804
4a. Midyear Adjustments	-	D	-	-
4b. Surplus	1,390,510	E	4,533,013	-
5. Contracts & Services	40,670,221		38,984,322	36,972,055
<i>5a. Sub Agreements</i>	<i>-</i>		<i>-</i>	<i>-</i>
6. Capital Outlay	82,717		39,450	39,450
7. Other Outgo	\$6,087,521		6,087,521	6,087,521
8. Direct Support/Indirect Costs	(5,568,650)	F	(4,768,000)	(4,768,000)
9. Interfund Transfers (Trnsf Out-In)	2,593,888		2,593,888	2,593,888
10. Contributions to Restricted Prog	71,006,060		76,196,230	83,815,853
Total Expenditures	402,144,792		428,180,545	424,157,568
C. Net Incr/Decr to Fund Balance	10,315,762		4,751,481	4,011,834
D. Fund Balance, Reserves				
1. Beginning Fund Balance	3,420,073		13,735,835	18,487,315
2. Ending Balance (C+D1)	13,735,835		18,487,315	22,499,149
3. Revolving Cash and/or Prepaid Exp	150,000		150,000	150,000
4. Other Designations	-		5,000,000	5,000,000
5. Reserve Economic Uncertainty	13,585,835		13,337,315	17,349,149



Restricted	Third Interim	18-19	19-20
	5/23/2018	Projected	Projected
A. REVENUE			
1. LCFF Sources	2,890,934	2,890,934	2,890,934
2. Federal	50,807,892	42,116,096	37,904,486
3. State	53,696,489	53,779,474	51,090,500
4. Local	46,404,262	32,423,446	32,423,446
Total Revenue	153,799,577	131,209,950	124,309,367
B. EXPENDITURES			
1. Certificated	56,708,532	53,718,745	53,933,619
2. Classified	38,082,942	35,796,349	36,190,109
3. Benefits	34,013,177	24,228,284	39,866,464
3a. H&W Costs	18,697,825	18,837,384	21,745,258
4. Books & Supplies	14,014,743	4,683,747	4,826,132
4a. Midyear Adjustments	412,489		-
4b. Surplus	3,753,422	3,010,508	-
5. Contracts & Services	48,674,174	38,541,664	39,713,331
5a. Sub Agreements			
6. Capital Outlay	8,013,751	-	2,779,708
7. Other Outgo	2,503,928	2,503,928	2,503,928
8. Direct Support/Indirect Costs	3,758,422	4,768,000	4,768,000
9. Interfund Transfers (Trnsf Out-In)	-	-	
10. Contributions to Restricted Prog	(71,006,060)	(76,196,230)	(83,815,853)
Total Expenditures	157,627,344	109,892,378	122,510,696
C. Net Incr/Decr to Fund Balance	(3,827,768)	21,317,572	1,798,671
D. Fund Balance, Reserves			
1. Beginning Fund Balance	23,688,296	19,860,529	41,178,101
2. Ending Balance (C+D1)	19,860,529	41,178,101	42,976,772