



MEMORANDUM

DATE: August 29, 2014

TO: Board of Trustees

FROM: Antwan Wilson, Superintendent
Vernon Hal, Senior Business Officer
Ruth Alahydoian, Chief Financial Officer

RE: 2013-14 Closing - Briefing for Board

The purpose of this memo is to provide the background and the outcome of closing the District's financial statements for 2013-14. Also attached is the PowerPoint with additional information for the Board meeting. The Board will be asked to approve the reports to submit to the Alameda County Office of Education (ACOE).

Closing the Books – Background: California school districts follow a July 1 to June 30 fiscal year. All financial reports are based on this fiscal year. After budget adoption in June, the District adjusts its budget periodically to incorporate current information. The Third Interim, reviewed by the Board on May 28, 2014, is latest version of the 2013-14 Budget. It is used as a point of comparison to the final reports, which are called the Unaudited Actuals. After Board approval, the Unaudited Actuals must be submitted to the ACOE by September 15, who will review and forward them to the California Department of Education by October 15.

Unrestricted General Fund Results: The table below compares the final numbers to the Third Interim.

Unrestricted General Fund		2013-14 Closing	2013-14 3rd Interim	Diff	%
LCFF Revenues		\$ 265,617,852	\$ 265,383,976	\$ 233,875	
Other State & Federal Revenue		7,943,724	8,243,991	(300,267)	
Local Revenue		25,833,841	25,902,436	(68,595)	
Transfer-In & Other Sources		545,081	734,067	(188,986)	
Total Revenues & Sources	a	299,940,498	300,264,471	(323,973)	-0.1%
Salaries, Supplies, Services & Equipment		256,779,802	258,813,294	(2,033,492)	
Other Outgo (Pass Throughs / Debt Service)		7,403,817	7,519,605	(115,788)	
Indirect Cost (Expense Offset)		(4,604,523)	(5,685,127)	1,080,604	
Contributions & Transfers Out		48,693,107	44,337,343	4,355,764	
Total Expenses & Uses	b	308,272,203	304,985,115	3,287,088	1%
Change in Fund Balance	a-b=c	\$ (8,331,706)	\$ (4,720,645)	\$ (3,611,061)	
Beginning Fund Balance	d	18,816,189	18,816,189	-	
Adjustments		3,553,355	-	3,553,355	
Adjusted Beginning Balance		22,369,544	18,816,189	3,553,355	
Ending Fund Balance	c+d=e	\$ 14,037,838	\$ 14,095,544	\$ (57,707)	-0.4%



Revenues: Unrestricted revenues came in within 0.1% of the estimates at Third Interim. Local Control Funding Formula (LCFF) revenue was slightly higher due to the increase in the gap funding from 11.78% to 12.00%. The Mandated Costs Block Grant revenue, included in “Other State & Federal Revenue”, was lower than budgeted.

Expenditures: Unrestricted expenditures ended up within 1% of the Third Interim estimate, however the net result does not tell the entire story. Most school sites and departments spent less than budgeted, as noted in the “Salaries, Supplies, Services & Equipment” line item, however this was offset by a significant increase in contributions. Programs for Exceptional Children (PEC) required a much larger contribution (\$4.0M) from the unrestricted general fund than anticipated due primarily to increases in out-of-district placement costs. Also, the contribution to the Routine Restricted Maintenance Account (RRMA) for Buildings & Grounds was higher than budgeted due to the volume of requests for repairs.

CEA Ratio: All California school districts are required to spend a minimum percentage of General Fund expenditures for classroom compensation, also known as the CEA ratio. For unified districts like OUSD the minimum is 55%. **The District met this requirement for 2013-14 at 55.01%.**

Fund Balance: The net result is slightly lower (lower fund balance) than anticipated. This can be attributed to the larger contributions noted above, offset by the adjustments to the beginning balance, including prior year adjustments and audit findings.

Unrestricted General Fund	2013-14 Closing	2013-14 3rd Interim	Diff
Ending Fund Balance	\$ 14,037,838	\$14,095,544	\$ (57,707)
Components of the Ending Fund Balance:			
Reserve for Economic Uncertainty	\$ 8,427,424	\$ 8,688,103	\$ (260,678)
Designated for the Following:			
Audit & Audit Findings (ONE-TIME)	4,565,155	4,362,184	202,972
Early Retirement Pgm Approved 2011-12 (ONE-TIME)	895,258	895,258	-
Revolving Cash (ONE-TIME)	150,000	150,000	-
Total Ending Fund Balance	\$ 14,037,838	\$ 14,095,544	\$ (57,707)
Reserve for Economic Uncertainty is the 2% minimum required for OUSD per State Dept. of Ed, however the Board policy requires 3%. Staff has been directed by the board to lower this reserve to the 2% required by the State and designate the difference to Audit and Audit Findings.			

Reconcile to Cash: As with a personal checkbook, Accounting staff reconcile our cash to the cash balances with the Alameda County Treasurer. This last step is critical to the closing process, but has been a challenge in Alameda County because the County Treasure does not provide final account



information until late August or early September. This year the ACOE does not expect to see the final figures from the County Treasurer until early September. We have, however, reconciled our cash to the County Treasurer through May 2014. Ending general fund cash is about \$6.4 million, as projected in the cash flow presented at Third Interim.

Other Funds: The District maintains 9 other funds for restricted resources that are accounted for separately and should be self-supporting. A few of the funds that are worth noting are:

- Fund 12 – Childhood Development Fund for the Early Childhood Education (ECE) program. This year the General Fund contributed approximately \$452,000 to this fund, which should be self-supporting. To reduce the contribution from the General Fund and move toward a self-supporting program, we will strategize with the Chief Academic Officer and the ECE Program Manager to identify revenue enhancement opportunities and program cost efficiencies during 2014-15. A Progress Report on an Early Childhood Education Strategic Plan will be brought to the Board in November.
- Fund 13 – Cafeteria Fund. Although the fund balance is still positive, the Child Nutrition program budget has been deficit-spending and the ending fund balance is now only approximately \$200K. The Chief Operations Officer and Child Nutrition Program Manager are reviewing program elements that may not be self-supporting to identify a plan of action to bring costs in line with revenues.
- Fund 67 – Self Insurance Fund. The District must build the fund balance in this fund to offset the incurred but not reported (IBNR) liability of about \$30 million. The fund balance increased from \$10.6 M to \$12.2 M during 2013-14, an increase of approximately \$1.6M.

Operating Results: In addition to the financial results, which are required to be reported by the State, we provide other operating results during the closing. Please see the Appendix in the attached Power Point for operating results for the following:

- How close were individual school sites to being 1% over or under budget
- Energy costs by site type
- Information on Consultants
- Payroll processing data – number of payroll runs, etc.
- Procurement response time