



Pacifica School District

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Preparing Students for an Evolving World

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MEMORANDUM

Administrative Services

Meeting of

11/16/2016

TO: Wendy S. Tukloff, Ed.D., Superintendent
For Board of Trustees

FROM: Josephine Peterson, Chief Business Official

SUBJECT: **Certification of First Interim Report for 2016-2017**
(Action)

Recommendation

It is recommended that the Board of Trustees approve the Positive Certification of the 2016-2017 First Interim Financial Report for the period July 1, 2016 through October 31, 2016 (Form CI) and authorize its filing with the County Superintendent of Schools.

Background Information:

In accordance with Education Code Sections 42130 and 42131, school districts are required to prepare and submit two interim financial reports to the Governing Board. The purpose of these reports is to notify appropriate State and County Office of Education officials as to whether or not the District will be able to meet its financial obligations for the remainder of the current year and for two subsequent years. The Board of Trustees is required to certify each interim report to indicate that it has been informed of the financial stability of the District. The Statute of 1988 also requires the Superintendent to certify that an Interim Report review has been conducted using the State adopted Criteria and Standards.

As mandated by A.B. 1200, the District's First Interim reporting period is based upon activities from July 1 through October 31. The Second Interim reporting period is July 1 through January 31. The Board of Trustees is required to certify each interim report within 45 days after the end of the reporting period. After approval of the financial statements by the Board of Trustees, the financial statements are forwarded to the San Mateo County Department of Education which reviews them for mathematical accuracy and compliance of technical provisions. After this review they are forwarded to the Superintendent of Public Instruction.

Current Consideration:

This agenda item pertains to the Positive Certification of the First Interim Report for 2016-2017 indicating that the District will be able to meet its financial obligations for the remainder of the Fiscal Year.

The Governing Board is required to certify in one of three ways:

1. Positive Certification indicates that the District will be able to meet its financial obligations for the remainder of the fiscal year and two subsequent fiscal years.
2. Qualified Certification indicates the District may be able to meet its financial obligations for the current year and two subsequent fiscal years.
3. Negative Certification indicates the District will not be able to meet its financial obligations for the current year and two subsequent years.

Pacifica School District will be able to meet its financial obligations, which is confirmed by the Positive Certification of the 2016-2017 First Interim (Form CI). The supporting documentation for this certification includes the Income and Expenditure Summary for the General Fund (Form 01I), Attendance Detail (Form AI), Criteria and Standards (Form 01CSI), Cash Flow Worksheet (Form CASH) and Multi-Year Projections (Form MYP). Other District Fund Summaries are also attached.

ANALYSIS OF THE FIRST INTERIM BUDGET AND MULTIYEAR PROJECTION

2016-2017 Budget

The First Interim Budget is typically far more accurate in projecting revenues and expenditures than the June 2016 adopted budget, which was passed prior to the State Budget. The First Interim Budget reflects final District staffing costs, expected expenditures in Special Education, supplies, services, and operating costs and the revenues passed in the final State Budget. The Local Control Funding Formula (LCFF) was used as a basis for estimating revenues.

The General Fund Unrestricted ending fund balance is comprised of the following:

1. \$7,500 - Revolving Cash
2. \$1,190,093– 3.7% reserve for economic uncertainty
3. \$468,620 – 1.5% Unallocated Amount **

The District maintains an additional 2.4% of reserves in Fund 17 – Special Reserve Fund.

**The unallocated amount is projected to be spent during the 2017-2018 and 2018-2019 to cover operating deficits.

Multi Year Projections

An important part of the First Interim Report is the two-year projection of the general fund. Included in this two-year projection are expected revenues and expenditures and yearly ending balances.

The multiyear projection indicates current state projected COLA's will not cover the increases in employee compensation costs (salary increases from step and column, retirement increases – STRS/PERS). However, even after operating deficits, the District still maintains a 6% Reserve for Economic Uncertainty for the two year projection.

New Financial Reporting Requirements for Pensions – “STRS on Behalf of”

The financials now include the recognition of state contributions to STRS. GASB (Government Accounting Standards Board) statement 68 introduces new requirements for accrual-basis recognition of pension obligations. In the past, only contributions made by the District were recognized. Under new standards, the District now records the pension contributions made by the state in the year end financials. There is no net impact to the ending fund balance, as both the revenue and expenditure is reflected, however there is an overall increase in the general fund revenue & expenditure budget of \$1.1M which in turn increases the amount of funds required to meet the 3% reserve requirements and the 3% required contribution to the Routine Restricted Maintenance Account (RRMA).

Other Funds

All other funds (i.e. building fund, child nutrition, etc.) have positive ending fund balances. There are transfers from General Fund to Child Nutrition of \$40K and to the Deferred Maintenance Fund of \$240K.