



Pacifica School District

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Preparing Students for an Evolving World

www.pacificasd.org

MEMORANDUM

Administrative Services

Meeting of

3/08/17

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

FROM: Josephine Peterson, Chief Business Official

SUBJECT: Certification of Second Interim Financial Report for 2016-2017

Recommendation

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

Background

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 Statutes of 1988 also require the Superintendent to certify that an Interim Report review has been conducted using the State adopted Criteria and Standards.

As mandated by AB1200, 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 Second 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 as reflected by the Positive Certification of the 2016-2017 Second Interim (Form CI). The supporting documentation for this certification includes the Income and Expenditure Summary for the General Fund (Form 01I), Criteria and Standards (Form 01CSI), Cash Flow Worksheet (Form CASH) and Multi-Year Projections (Form MYP).

ANALYSIS OF THE SECOND INTERIM BUDGET AND MULTIYEAR PROJECTION**Reserves:**

The Second Interim budget reflects reserves at 7.8% which is comprised of the following:

1. \$7,500 - Revolving Account
2. \$1,203,235 – 3.7% reserve for economic uncertainty
3. \$576,837– 1.8% Unallocated
4. \$725,000 – 2.3% (Fund 17)

The County Office advisory continues to reinforce the need for reserves over the minimum reserve requirements for the following reasons:

- Cash Management – avoid cost of borrowing
- Expenditures outpacing revenues (STRS/PERS increases)
- Declining Enrollment
- Flexibility to absorb unanticipated expenditures without disruption to the educational program
- Protection against the expiration of temporary revenues
- Protect against exposure to significant one-time outlays such as disasters, lawsuits, or material audit findings
- Protection against volatility in state funding

Multiyear Projection

An important part of the Second 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. Following are the main assumptions that form the basis of this multiyear projection:

- The State Budget will provide a 1.48% COLA for LCFF Funds
 - LCFF target will be 96% funded, education funding will continue to slow
- The State Budget will provide \$145K of One Time Funds
- Enrollment will continue to decline in 2017-2018
- Employer paid retirement contributions (STRS/PERS) will continue to increase each year
- Salaries will increase by step/column and will only partially be offset by retirements
- The District will reduce staffing by 2 FTE's due to declining enrollment

Other Funds

All other funds (i.e. bldg fund, child nutrition, etc.) have positive ending fund balances and there are no significant changes since the Second Interim Report.

Next Steps

The next Board study session on the Budget is May 24, 2017. At that time, the Governor's 2017-2018 May Revision Budget Proposal will be known.

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