Buckeye Union School District
2018-19 SECOND INTERIM REPORT
Financial Report as of January 31, 2019
Presented: March 20, 2019

Background

The California Education Code, as updated by AB1200 and AB2756, requires school districts to report on their financial condition at the time of budget adoption and after closing the books with the unaudited actuals. Two interim reports are also required during the Fiscal Year. The Second Interim report illustrates a district's financial condition and projections as of January 31st as well as budget revisions based on expenditure and revenue trends and other available information. Current year actual financial data has been updated to reflect state and federal apportionments and expenditures as well as local funding sources. As a result of the update, the budget estimates provided should be closer aligned to data presented later in the year at year-end close.

Recommendation

In compliance with Education Code EC 42131(a)(1) requirements, Assembly Bill (AB) AB 1200, and AB 2756, the Buckeye Union School District is certifying a positive certification for its 2018-2019 Second Interim Report. Buckeye USD will be able to meet all current obligations for the year. The Second Interim Report as presented reflects relevant information to budgets for 2018-19 through 2020-21 based on conditions as of January 31, 2019. Based on the multi-year projections, the Buckeye USD will also be able to meet all financial obligations for the next two subsequent fiscal years and at the same time maintain the required reserve for economic uncertainties.

It is recommended that the District file a "Positive Certification" of its financial condition as part of the Second Interim Report.

- For fiscal year 2018-2019, the overall financial status of the District continues to be positive.
- The undesignated balance is projected to remain positive thus providing the District with the short-term financial flexibility to address some unanticipated expenditures and/or budget fluctuations.
- The ending balances for 2019-20 and 2020-21 are projected to remain positive; however, as planned, the undesignated balance will rapidly decline as a result of shortfalls in state funding and declining enrollment, without corrections. It should also be noted that the District has settled negotiations for the 2018-2019 school year with

Local Control Funding Formula and Proposition 98

Proposition 98 establishes the minimum funding level for K-14 education. The Legislature and Governor decide annually at what level to fund various educational programs. The Local Control Funding Formula is the model by which state funds are allocated to Local Educational Agencies (LEAs)

LCFF's goal is to: 1) increase transparency and reduce complexity; 2) reduce administrative burden; 3) improve funding equity across school district; and 4) improve local accountability.

all represented and unrepresented employees to date. No labor settlements have occurred for 2019-2020 or 2020-2021.

Executive Summary

The following is a summary of the financial position of the Buckeye Union School District as of January 31, 2019. For ease and clarity, I have summarized within this report the activities and position of each fund and included detailed analysis of items of particular interest. Original state reports are available in the district office and can be forwarded to you upon request.

Education Funding Generally

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. Revenue limits were the amount of State revenue that school districts received per average daily attendance ("ADA"). In general, revenue limits were calculated for each school district by multiplying the ADA for such district by the base revenue limit. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Significant differences existed between the revenue limits of Elementary, Unified and High School Districts, with Elementary Districts receiving the lowest average revenue limit funding of the three types.

Beginning with the fiscal year 2013-14 State budget a new funding formula for public schools known as the Local Control Funding Formula (the "LCFF") was established. Under the LCFF, revenue limits and most state categorical programs were eliminated. The LCFF funds school districts according to grade span-specific base grants applied to all students plus supplemental and concentration grants applied to students characterized as low socio-economically disadvantaged, English learners, or Foster Youth. Based on revenue projections, the Governor projected that districts will reach what is referred to as "full funding" in eight years, being fiscal year 2020-21. Full funding is intending to be commensurate with the funding level public schools received in 2007-2008, adjusted for inflation. *However, in the 2018-2019 budget, the Governor fully funded his signature school funding reform (LCFF).*

The LCFF also requires a paradigm shift related to governance and planning, as more control and accountability is being passed on to LEA's. Under the LCFF local school districts will plan their programs based on input from a variety of District stakeholders including, but not necessarily limited to, students, parents, teachers, support staff, administration and bargaining groups. Specifically, the LCFF accountability system requires that in connection with the adoption of the 2014-2015 budget (and all subsequent budgets), that the District develop a three-year Local Accountability Plan ("LCAP") and update it annually. The result is the development of a local plan that emphasizes improving services to promote student success over the three years covered by the LCAP. The District is currently in the process of engaging stakeholders and developing/updating the LCAP plan for adoption with the 2019-2020 budget.

2018-19 Enacted State Budget and Proposed 2019-20 Budget

Governor Newsom released his proposed state budget on January 10th for the upcoming 2019-20 fiscal year. Essentially, the Governor's budget consists of a $144 billion state-wide general fund budget for the upcoming fiscal year, which represents a 3.6% increase over the current year. Additionally, he emphasized that 86.4% of the new spending is for one-time investments compared to 71% last year.

The 2019-20 state budget forecasts an increase in revenues for fiscal years 2017-18 through 2019-20 that exceed the 2018-19 state budget projections by more than $5.2 billion. While both the personal income tax and the corporation tax are expected to beat earlier estimates during the three year time frame, the budget projects that the sales and use tax will be short of projections.

The Governor's budget proposes a Proposition 98 guarantee of $80.7 billion for 2019-20, which is an increase of $2.8 billion from 2018-19. The Governor's budget also continues to build additional reserves in the Rainy Day Fund beyond the $13.5 billion currently reserved. An additional $1.8 billion transfer is proposed in the budget year with an additional $4.1 billion reserved during subsequent years, which is expected to total $19.4 billion by 2022-23.

LCFF Cost-of-Living-Adjustment (COLA): Funding for the Local Control Funding Formula (LCFF) is in its second year of being funded at target levels (i.e. 100% of full implementation), and is expected to increase by $2 billion relating to a 3.46% cost-of-living-adjustment (COLA) estimate. Illustrated below is a comparison of the COLA percentages:

Description	2018-19	2019-20	2020-21	2021-22
Annual COLA – Proposed (May 2018)	3.00%*	2.57%	2.67%	2.90%
Annual COLA – Enacted (June 2018)	3.70%*	2.57%	2.67%	3.42%
Annual COLA – Revised (January 2019)	3.70%*	3.46%	2.86%	2.92%

** COLA relating to programs other than LCFF was 2.71%*

One-Time Discretionary Funding. Unlike in past years, the 2019-20 state budget does not propose any one-time Proposition 98 discretionary funding for school districts, charter schools, or county offices of education (COEs).

Additional 2019-20 Proposed Budget Components. Additional components of the Governor's 2019-20 budget contains the following:

- In addition to the COLA impacting the LCFF, the COLA also impacts other education programs that are funded outside of the LCFF (i.e. mandate block grant, special education, preschool, child nutrition, etc.);
- $576 million ($186 million of one-time funds) to support expanded special education services and school readiness support at LEAs with high percentages of both

students with disabilities and unduplicated students; BUSD does not qualify for these funds.

- Implementing universal preschool for all low-income four-year-olds in California over a three-year period;
  - First-year investment of $124.9 million in non-Proposition 98 funding for new full-day preschool slots for community-based providers;
  - Utilizing $297.1 million in non- LEA, part-day slots from Proposition 98 to the non-Proposition 98 portion of the budget in order to enable community-based providers greater flexibility to draw down full-day, full-year funding for state preschool slots;
  - Eliminating the requirement for families to demonstrate that the need for full day preschool services relates to employment or postsecondary enrollment;
- $750 million in one-time non-Proposition 98 funding to build new kindergarten facilities in order to assist Districts with implementing full-day Kindergarten;
- $200 million in state and federal funds for home visiting programs and child developmental/ health screenings in order to reduce the child readiness gap;
- $490 million in one-time non-Proposition 98 funding for child care facilities, and for professional development of child care workers;
- $10 million to develop a child care and universal preschool roadmap for California
  - The roadmap will address systems capacity issues, workforce development needs, and identify funding options;
- Issue an additional $1.5 billion of state facility bonds in 2019-20;
- $10 million one-time non-Proposition 98 funds to plan and develop a longitudinal data system that would connect data multiple educational and workforce segments; and
- $20.2 million in additional funding for county offices of education to work with identified districts that need additional assistance relating to utilizing the California School Dashboard.

Proposed Pension Relief. After years of pension rate increases, the 2019-20 Governor's proposed budget contains some financial relief as follows:

- $3 billion in one-time non-Proposition 98 funds that will be used to reduce CalSTRS employer contribution rates in 2019-20 and beyond in the following manner:
  - $700 million to decrease the statutory CalSTRS employer contributions from 18.13% to 17.1% for 2019-20, and from 19.1% to 18.1% in 2020-21; and
  - $2.3 billion to decrease employer contributions for 2021-22 and beyond by approximately half of a percentage point.
- Additional payments to address the state's share of the CalSTRS liability;
- $3 billion into CalPERS as a supplemental pension payment in 2018-19.

Federal Funding. The approved 2019 federal spending bill includes an increase to education funding on a national level by $581 million; Title I and federal special education each received an increase of $100 million. Please note that these increases are inconsequential since California receives one-tenth of these national figures that is spread among all LEAs across the State. For budgeting purposes, Education funding for IDEA, Title I and other education programs remains at fiscal year 2017 levels, until further information is provided by the federal government regarding the funding for these programs.

Routine Restricted Maintenance Account. Due to the passage of Proposition 51, any local educational agency that applies for state bond funds and receives a Proposition 51 apportionment from the State Allocation Board (SAB) would be subject to conditions set forth by the bond measure. The Proposition 51 ballot initiative contained language that the School Facility Program (SFP) is administered as it existed on January 1, 2015 which includes the provision of contributing the full three percent of General Fund expenditures into the routine restricted maintenance account (RRMA). This requirement, however, does not apply to projects funded by Propositions 1A, 47, and 55 as those bond measures did not contain similar language. Therefore, districts would either be required to contribute the three percent if participating in Proposition 51, or continue to follow the guidance of AB 104 and gradually increase their contributions as follows:

- All LEAs that received ANY School Facility Program funding are required to deposit 3% into their Routine Restricted Maintenance Account in the year in which the LCFF is fully implemented, which is 2019-20 and every year thereafter.
- If a district received Prop. 51 funds in 2017-18 or 2018-19, the minimum 3% RRMA contribution is required in 2018-19, and every year thereafter

Reserves District Reserve Requirements (Senate Bill 858): The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all of the following conditions are met:

- The Proposition 98 maintenance factor must be fully repaid;
- Proposition 98 must be funded based on Test 1;
- Proposition 98 provides sufficient funds to support enrollment growth and the statutory COLA;
- A deposit must be made into the Proposition 98 reserve when capital gains revenues exceed 8% of General Fund revenues

Existing law specifies that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public School System Stabilization Account, a district's assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA). Senate Bill (SB) 751 became effective January 1, 2018 that made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3 percent of the combined total of General Fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year;
- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other

Than Capital Outlay (17), of 10% of those Funds for all districts (pending clarifying legislation);

- Reserves would be capped at 10% as long as the amount in the Public School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year
  - The State must notify local educational agencies when the conditions are and are no longer applicable;
- Basic aid school districts and districts with fewer than 2,501 average daily attendance are exempt from the reserve cap requirement.

The District reserve cap is not activated in 2018-19, and is not expected to be activated in 2019-20. The likelihood of the reserve cap being activated in future years remains low, but if it is activated, districts have the option of requesting a waiver from the county superintendent of schools for up to two consecutive years in a three-year period.

Mandated Costs. The District continues to participate in the Mandated Block Grant Program ("MBG") and for 2018-2019 will receive $31.16 per ADA for grades K-8 for its traditional school program and $16.33 per ADA for grades K-8 for its charter school programs. For 2019-2020 these amounts increase to $32.24 and $16.19, respectively. Participation in the block grant waives the existing claiming process for the mandates contained in the block grant. School districts are allowed to annually choose either the MBG funding or funding through the traditional claims process. School districts need to elect to participate in the MBG by September 30 of each year.

Education Protection Account (EPA) Funds

As a reminder, Proposition 30 provides for a personal income tax increase for California residents with an annual income over $250,000, including capital gains revenue. Capitol gains revenues are the state's most volatile revenue source, and even absent a recession, a stock market correction or extended decline could significantly reduce the state's revenue and thus reduce Prop. 30 funding to school districts.

Proposition 30, requires a special accounting for Education Protection Account ("EPA") funds. Basically, these funds are deposited and distributed from a special account established by the initiative. Expenditure determination of these funds shall be made in open session of a public meeting of the district or charter school governing board or body and shall not include the use any of the funds for salaries or benefits of administrators or any other administrative costs. Each school district is required to annually publish on its web site an accounting of how much money was received from the Education Protection Account and how that money was spent. The District has adopted its EPA Expenditure Resolution and has posted an accounting for these funds on its website.

Cash Management

Cash management also still remains critical for school districts. To date, the district has borrowed only internally for cash, relying on other funds in the district that have cash balances to wait out the time when taxes are received in December and the Educational Protection Act (EPA) funds are received. Staff is closely watching cash balances and is taking the necessary steps to ensure that the District is able to meet its financial obligations.

It is also important to remember that the experience of the last several years has clearly demonstrated that state minimum reserve levels are not sufficient to protect educational programs from severe disruption in the event of an economic downturn or the programmed escalation of costs placed on school districts that remain unfunded such as STRS/PERS increases. As a result, it is still important to maintain higher levels of reserves for cash flow purposes and to protect against the volatility of state revenue. Schools Services of California recommends that in addition to the typical 3% reserve minimum that school districts maintain an additional "one-year's increment of planned revenue growth" should be maintained in reserves. For the District, this equates to an approximately 6-8% minimum reserve level.

Local Control and Accountability Plan (LCAP) and the California Dashboard

The current year budget updates implemented in an LEA's second interim report can be used in ongoing stakeholder engagement around LCAP implementation, and can serve as the initial estimated actuals for the LCAP Annual Update. If the second interim indicates that some LCAP actions and services are not likely to be fully implemented as planned, explanations for these developments will be incorporated into the analysis section of the Annual Update. The development of the second interim MYP should also be used to inform any possible changes to planned LCAP goals, actions and services for 2019-20, and vice versa.

As required by Education Code 52064.1, in January the CDE released a new required document, the LCFF Budget Overview for Parents. The Budget Overview is to be attached as a cover to the LCAP, and it must go through the approval process with the LCAP. The public hearing notice and board agenda item should address the addition of the LCFF Budget Overview for Parents.

Also in January, the SBE approved a revised LCAP template. The new template removes the budget information from the LCAP summary section, because that information is now covered in the Budget Overview, and it adds three new prompts to the summary related to schools identified for Comprehensive Support and Improvement (CSI) under the federal Every Student Succeeds Act (ESSA). In addition, the new LCAP template makes minor conforming changes such as removing reference to the API.

The Plan Summary section contains prompts for additional fiscal information that was not previously required in the LCAP. LEAs will now be required to list total anticipated LCFF revenues and total budgeted general fund expenditures. The Plan Summary must also include some description of how budgeted general fund expenditures that are ***not*** included in the LCAP Actions and Services will be spent.

In addition to the fiscal information above, the Plan Summary must also contain summary descriptions of key elements of the LCAP, and some explicit references to the California School Dashboard, the web-based system and data display that is the cornerstone of the state's new accountability system for public schools.

The change to a static three-year plan means that the LCAPs for the next three fiscal years will each cover the same three-year period (2017-18, 2018-19, and 2019-20). One implication of this change is that after 2017-18, the three years of the LCAP will not match the three years of the budget multiyear projection until a new three-year static LCAP cycle starts in 2020-21.

Federal Addendum

In addition to the main LCAP template and the Budget Overview, this year LEAs will need to complete the LCAP Federal Addendum. The LCAP Federal Addendum Template must be completed and submitted to the California Department of Education (CDE) to apply for ESSA funding. The LEA must address the Strategy and Alignment prompts provided and each provision for each program must be addressed, unless the provision is not applicable to the LEA. In addressing these provisions, LEAs must provide a narrative that addresses the provision within the LCAP Federal Addendum Template.

The CDE emphasizes that the LCAP Federal Addendum should not drive LCAP development. ESSA funds are supplemental to state funds, just as the LCAP Federal Addendum supplements your LCAP. LEAs are encouraged to integrate their ESSA funds into their LCAP development as much as possible to promote strategic planning of all resources; however, this is not a requirement. In reviewing the LCAP Federal Addendum, staff will evaluate the LEA's responses to the ESSA plan provisions.

Long-Term Budget Challenges

The Buckeye Union School District must plan for the slowing of funding growth. The largest funding increases from LCFF implementation are behind us and State revenue growth has slowed. The approval of the income tax extension (Proposition 55) by California voters will continue to support state revenues through 2030, but the revenue is expected to be volatile and there is uncertainty as to how much revenue actually will be generated.

The Buckeye Union School District must also plan for declining enrollment and increases in fixed operating costs: most predominantly, statutory employment compensation and unfunded pension cost increases. It is also important to maintain fiscal flexibility by limiting commitments to future increased expenditures based on projections of future revenue growth and to maintain adequate reserves to allow for unanticipated circumstances.

Positive Certification

While the District certifies itself as positive, it is important to remember that there are many unpredictable factors affecting revenues and expenditures and the Second Interim Report is based on the best information available at the time the financial reports are approved. The Second Interim Report, therefore, should be considered a “snapshot in time” of the financial plan of the District on the date it is adopted. As the school year progresses, variables change which may require the District to make revisions to its current and multi-year projections. Staff closely monitors these variables throughout the fiscal year to ensure fiscal solvency.

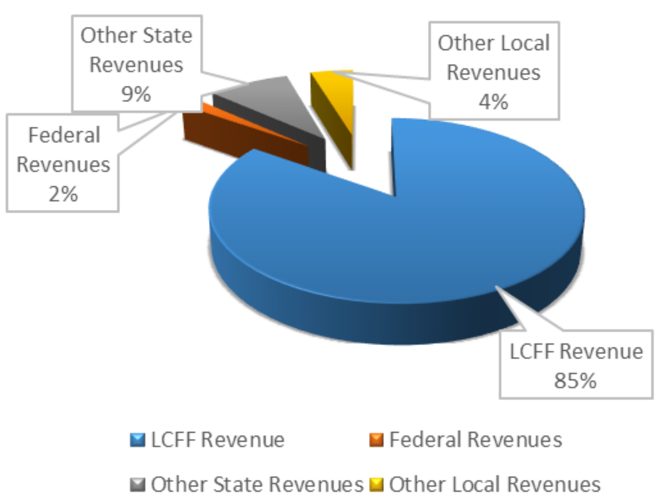
Financial Analysis of the General Fund
Unrestricted & Restricted Revenue and Expense

REVENUE

The District receives funding for its general operations from various sources. A summary of the major funding sources for 2018-2019 is illustrated below:

Description	Unrestricted	Combined
LCFF Revenue	$38,816,350	$38,816,350
Federal Revenues	$62,455	$853,529
Other State Revenues	$1,740,458	$4,027,676
Other Local Revenues	$474,813	$2,130,904
TOTAL	$35,128,517*	$45,828,459

* Includes general fund contribution to restricted programs of $5,965,559



Revenue: Revenue has been revised to include full funding under the Local Control Funding Formula in the current and subsequent years. For Fiscal Year 2018-19 the total funded LCFF Revenue is approximately $38,816,350. Projected LCFF funding for Fiscal Year 2019-20 and Fiscal Year 2020-21 is $39,678,245 and $40,695,702, respectively.

Summary of Unrestricted Revenue Changes:

LCFF Revenue	($26,547)	Reflects recalculation of LCFF Entitlement based on current enrollment
Federal	-	No Adjustment
Other State	$40,454	Reflects increase in Lottery and Education Protection Account Funds
Local Revenues	-	No Adjustment
TOTAL	*$13,907*	

Summary of Restricted Revenue Changes:

LCFF Revenue	-	No Adjustment
Federal	$41,165	Reflects recalculation of Title I, II, III and IV entitlements; Reflects recalculation of McKinney-Vento entitlement and Medicare entitlement
Other State	$33,359	Reflects adjustment for Classified Employee Professional Development and Prop. 20 Lottery
Local Revenue	$21,559	Reflects adjustment for Special Ed Shared Risk Pool
TOTAL	*$96,082*	

Multi-Year Financial Projections

One of the most important elements of the Second Interim Report is the three-year projection for the General Fund. In this forecast, the District projects its financial prognosis for the current and subsequent two years. The purpose of the projection is to report to its stakeholders on the continued fiscal viability of the District. The projection provides the rationale for the District's choice of certification options (Positive, Qualified, or Negative) on its Certification of Financial Condition.

Multi-Year Combined Revenue Projections:

	2018-2019	2019-2020	2020-2021
Description	**Combined**	**Combined**	**Combined**
LCFF Revenue	$38,816,350	$39,678,245	$40,695,702
Federal Revenues	$853,529	$901,985	$901,985
Other State Revenues	$4,027,676	$2,724,615	$2,724,615
Other Local Revenues	$2,130,904	$2,152,111	$2,106,470
TOTAL	$45,828,459	$45,456,956	$46,428,772

EXPENSES

The General Fund is used for the majority of the functions within the District. At Second Interim, adjustments were made to salaries and benefits to reflect changes in position control since Budget Adoption and First Interim.

Description	Unrestricted	Combined
Certificated Salaries	$17,965,117	$20,148,482
Classified Salaries	$4,673,704	$7,074,405
Employee Benefits (H&W; Taxes; STRS/PERS)	$7,661,188	$10,810,167
Books and Supplies	$4,041,138	$5,960,978
Other Operating Expenditures	$1,284,011	$3,186,426
Capital Outlay	$50,298	$50,298
Other Outgo	$318,460	$524,125
TOTAL	$35,862,303*	$47,754,881

* Includes indirect support @ ($131,612)

Summary of Unrestricted Expenditure Changes:

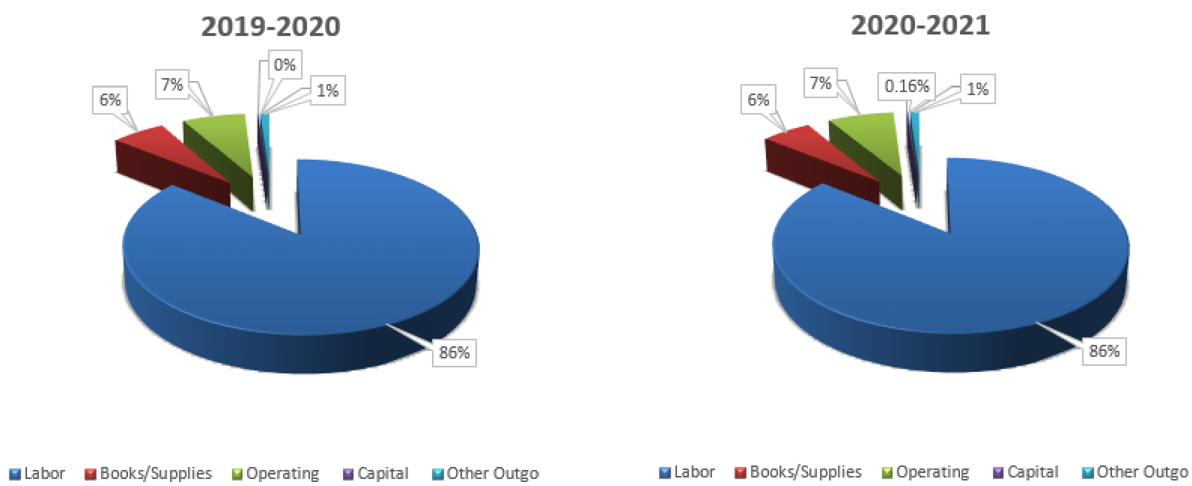
Certificated Salaries	($40,114)	Alignment of Budget; Certificated Staffing Adjustment in Position Control Since October
Classified Salaries	$84,556	Alignment of Budget; Classified Staffing Adjustment in Position Control Since October
Benefits	$83,594	Adjustment in Benefits based on use trends and changes in position control since budget adoption
Books & Supplies	$200,000	Adjustment to technology budget
Operating Exp.	$6,488	Adjustment for insurance premium
Capital Outlay	-	
Other Outgo		
TOTAL	*$334,525*	

Summary of Restricted Expenditure Changes:

Certificated Salaries	$76,795	Alignment of Budget; Certificated Staffing Adjustment in Position Control Since October
Classified Salaries	$40,856	Alignment of Budget; Classified Staffing Adjustment in Position Control Since October
Benefits	($98,896)	Adjustment in Benefits based on use trends and changes in position control since budget adoption
Books & Supplies	$13,598	Posting of expenses for Title I, Prop. 20, special programs and McKinney-Ve
Operating Exp.	$63,729	Adjustment to bring expenditure in alignment with actuals to date
Capital Outlay	-	
Other Outgo	-	
TOTAL	*$96,083*	

Multi-Year Combined Expenditure Projections:

Description	2018-2019 Combined	2019-2020 Combined	2020-2021 Combined
Certificated Salaries	$20,148,482	$20,384,482	$20,268,842
Classified Salaries	$7,074,405	$7,174,405	$7,089,167
Employee Benefits (H&W; Taxes; STRS/PERS)	$10,810,167	$11,502,256	$11,896,381
Books and Supplies	$5,960,978	$2,516,035	$2,532,920
Other Operating Expenditures	$3,186,426	$3,290,720	$3,349,285
Capital Outlay	$50,298	$50,298	$75,000
Other Outgo	$524,125	$524,125	$461,043
TOTAL	$47,754,881	$45,406,320	$45,672,638



As illustrated above, salaries and benefits comprise approximately 86% of the District's budget in the current multi-year projection. No labor settlement agreements have been reached for 2019-2020 or 2020-2021.

The following discusses the most significant items in the three-year projection:

- LCFF: The District is utilizing the Department of Finance's estimated COLAs and resulting LCFF Funding Rate percentages.
- The Legislature has fully funded LCFF in the 2018-19 fiscal year.
- BUSD Unduplicated Percentage of enrollment for 2018-19 through 2020-21 ranges from 17.04% to 17.98%, based on a rolling three-year average.

- ADA: The District's LCFF funding is based on the ADA in the 2017-18 fiscal year. The LCFF calculation allows a one year "hold harmless" on the loss of revenues due to ADA decline. Therefore, the decrease in ADA is reflected in the LCFF calculation for 2019-20. The District is projecting no change in enrollment in 2020-2021.

- Mandated Cost Reimbursement One-time Revenues: One-time revenues are adjusted for in the three-year projection. No additional one-time revenues are projected after the 2018-19 budget year.

- Employee Compensation: Normal ongoing step and column increases are included in the three-year projection. Additional expense to the District caused by the increase in the STRS and PERS rates is also included. The District has not included a downward adjustment in STRS rates, but will revise accordingly at May revise.

- Reasonable increases to supply and operating expense accounts;

- Reasonable increases to technology expense accounts

- Changes to the number of staff to support students in general education, special programs, class sizes, and curriculum adoptions;

- No COLA Adjustments, with exception of programs outside of LCFF (Transportation and TIG Add-ons receive no COLA)

Given these assumptions, it is projected that the district will have an operating deficit of approximately ($733,786) in fiscal 2018-2019 in its Unrestricted Funds. It is also projected that the district will have an operating deficit in its Restricted Funds of approximately $1,192,635. However, it should be noted that at Budget Adoption "carry over" was not included in the revenue available to balance the restricted resources. We have since closed the books and the restricted resources balance, with a projected ending balance at first interim of $490,069.

Summary of Reserves

School finance experts, including the El Dorado County Office of Education, continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. Prudent reserves afford districts and their governing boards' time to thoughtfully identify and implement budget adjustments over time. The District's multiyear projection anticipates the District's Reserves for Economic Uncertainty over the next three budget years to be as follows:

2018-2019	2019-2020	2020-2021
14.14%	14.98%	16.55%

[Note: No labor settlements for 2019 thru 2021]

Other Funds

The only major changes to other funds in the District were to building funds. Staff is adjusting income and expenditure budgets as contracts are encumbered and finished with respect to the Valley View Charter Montessori Building Addition Project and the Blue Oak Elementary Modernization Project. Total expenditures are expected to both increase and decrease as the district moves through its various projects.

Conclusion

The Second Interim Report is an important document in the District's ongoing communications to its stakeholders. The report and certification provide accountability and evidence of stewardship to our community. The Buckeye Union School District certifies the District's financial position is positive; the District will meet its financial obligations in the current and subsequent two fiscal years.