

**RIDGECREST CHARTER SCHOOL
GOVERNING BOARD**

Special Meeting

Wednesday September 14 2016

Time: 5:00 PM

325 South Downs Street, Ridgecrest, CA 93555

I. AGENDA

A. CALL TO ORDER

B. ROLL CALL

	Present	Absent
Elsa Hennings, <i>President</i>	_____	_____
Eileen Shibley, <i>Vice-President;</i>	_____	_____
Celese Sanders, <i>Treasurer</i>	_____	_____
Valerie Karnes, <i>Secretary</i>	_____	_____
Ron Kicinski, <i>Member</i>	_____	_____

C. FLAG SALUTE

D. MOMNET OF SILENCE

II. COMMUNICATIONS

A. PUBLIC COMMENT

Non-agenda items: no individual presentation shall be for more than three (3) minutes and the total time for this purpose shall not exceed fifteen (15) minutes. Ordinarily, Board members will not respond to presentations and no action can be taken. However, the Board may give direction to staff following a presentation.

Oral Communications was opened at _____ and closed at _____.

III. ITEMS SCHEDULED FOR ACTION/DISCUSSION/INFORMATION

1. Approval of Unaudited Actuals

Motion: _____ Second: _____ Vote: _____

IV. CLOSED SESSION

The meeting will now convene to closed session to discuss the following matters pursuant with Brown Act Section: Personnel 54957.

PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE

Open Session was closed at: ____

Closed session was entered in at ____pm and concluded at ____pm.

V. RECONVENE TO PUBLIC SESSION

The meeting was reconvened to Open Session at ____pm.

Report out of Closed Session: _____

VI. FUTURE MEETINGS

1. September 28, 2016
2. October 26, 2016
3. November 16, 2016

VII. CLOSING BOARD COMMENTS

VIII. ADJOURNMENT

The meeting was adjourned at _____.

In compliance with the Americans with Disabilities Act (ADA) and upon request, the School may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Individuals who require appropriate alternative modifications of the agenda in order to participate in Board meetings are invited to contact the Director's office. Per Brown Act 54954.3(a) at any special meeting the public has the right to address any item described in the agenda before or during consideration of that item.

2015-16 Ridgecrest Charter School Unaudited Actual Financial Report

The Unaudited Actual Financial Report (UA) is one of four required financial reports that must be filed with the California Department of Education (CDE) and with the Kern County Superintendent of Schools (KCSOS). These reports are:

Adopted Budget, 2016-17 – June ‘what is our fiscal plan’

Unaudited Actual Financial Report, 2015-16 – September – ‘what is our final fiscal report for 2015-16’

First Interim Report, 2016-17 – December – ‘review of year-to-date operations and update of fiscal plan’

Second Interim Report, 2016-17 – March – ‘review of year-to-date operations and update of fiscal plan’.

In December an independent CPA Audit Firm files a Certified Audit for the prior fiscal year.

Of the budget and financial reports listed above the Adopted Budget and the Unaudited Actual Report must be approved or adopted by the Governing Board. The Interim Reports do not need formal action; the practice is to include them in a board meeting as an informational item on the Consent Agenda. The annual Certified Audit Report is filed by the audit firm with the Office of State Controller (OSC), the CDE and KCSOS. All budget and financial reports are public documents; many are posted on the School’s website.

Highlights of the 2015-16 UA – How to Read and Understand the Unaudited Actual Report

Profit or Loss - Net Operations and Ending Balance and Cash Flow

When reviewing the annual UA, one often looks to the end of the document where the Profit or Loss for the year is stated. In 15-16, RCS’ net operations are \$300k. This planned increase to the Ending Balance is a conscious decision by the governing board to build up monies for facility improvement, such as completion of the Cafeteria, portable replacements and a gym. The total Ending Balance is \$2.7 mil. RCS’ cash on June 30 is \$1.2 mil.

In 16-17 capital facility improvements will cost about \$2.5 mil. These projects will be funded similar to a home purchase. The cost of the property is determined; the homeowner puts down cash, qualifies for a loan and a mortgage is approved. For 16-17 the cost of the facility enhancements is calculated; RCS then puts down cash and a mortgage is obtained for the balance of the facility improvement. The strong Ending Balance will be collateral for the loan. In addition to the mortgage, RCS will seek a Construction Loan and Line of Credit to ensure all operating expenses and construction costs are paid in a timely manner.

Specifics of UA

All monies in the UA are separated into Unrestricted or Restricted monies. The preponderance of monies for RCS are Unrestricted. This means that the Governing Board has the discretion on how the monies are to be spent. Unrestricted monies pay for the majority of staff salaries, books, supplies and operating expenses such as utilities, insurance, legal and business services and professional development.

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The Restricted monies, as the name implies, may only be used for certain purposes. Examples of restricted funds are Special Education and Title I. It is important to note that if the expenses for a categorical program exceed its revenue (or funding), the excess costs are borne by the Unrestricted monies of RCS.

	15-16 Uaudited Actual Financial Info in Mil		
	Unrestricted	Restricted	Total
Revenue			
Local Control Funding Formula	2.9		2.9
Other State	0.3	0.3	0.6
Total State	3.2	0.3	3.5
Federal	0	0.2	0.2
Local	0.1		0.1
Total Revenue	3.3	0.5	3.8
Expenditures			
Certificated Salaries	1.3	0.2	1.5
Classified Salaries	0.2	0.2	0.4
Employee Benefits	0.4	0.1	0.5
Total Compensation	1.9	0.5	2.4
Books and Supplies	0.2	0.1	0.3
Services and Other Operating	0.6	0.1	0.6
Capital Outlay	0.1		0.1
Total Expenditures	2.8	0.7	3.4
Total Operations	0.5	-0.2	0.3
Contributions Unrestricted to Categorical Funds	-0.2	0.2	0
Net Operations	0.3	0	0.3

Revenue Components

In school accounting, income is called revenue. The lion's share of revenue is determined by the annual state budget. The Local Control Funding Formula (LCFF) provides the largest funding portion. In 15-16 RCS was paid \$2.9 mil for LCFF. LCFF is a funding per student; the funding is by grade level grouping. RCS, in its Transitional Kinder/First Grade through 8th grade has three per pupil funding groups:

Transitional Kindergarten, First through Third

Four through Six

Seven and Eight

Special Education and Title I provided the bulk of restricted revenues.

2015-16 Ridgcrest Charter School Unaudited Actual Financial Report

Revenues generally receive a Cost of Living Allowance (COLA) for all programs. Based on the slow economy, the 15-16 COLA was 1.02%. School Services of CA, a foremost expert in school finance, predicts revenue COLAs for the next couple of years. The revenue projections are updated several times each year.

COLA Projections	2015-16	2016-17	2017-18	2018-19	2019-20
	1.02%	0.47%	2.13%	2.65%	2.72%

Expenditure Components

The Unaudited Financial Report identifies where each dollar was expended. Of the \$3.4 mil budget, \$2.4 mil was for total compensation. School staffs, particularly teachers, are the core of the instructional program. Certificated employees' salaries, exclusive of RCS' paid benefits, approximated \$1.4 mil in 15-16. Staffing costs increase based upon additional annual service and additional education classes.

In 15-16 classified employees were paid \$0.4 mil. These employees provide support to teachers and perform many operational services for RCS. Employees in this group include paraprofessionals, facility and custodial, office support, child nutrition yard duty among other posts.

Employer paid Benefits, have by law, increased in 15-16. In the next several years, the retirement costs to be paid by RCS will have very significant cost increases. Retirement contributions are charges applied to salaries. 15-16 and future year RCS portion of State Teachers' and Public Employees have material escalation.

Employer Cost of Retirement	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CalSTRS	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%
CalPERS	11.77%	11.85%	13.89%	16.60%	18.20%	19.90%
Social Security (classified staff)	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Total CalPERS + Social Security	17.97%	18.05%	20.09%	22.80%	24.40%	26.10%

Note that staff contributions to the retirement systems are projected to increase. Health benefits nationwide are experiencing rate increases. RCS is no exception. For health benefits a portion is paid by the employee; a larger contribution is made by the school. RCS' costs for health benefits exceeded \$200k.

Books, Supplies and Other Operating Expenses cost approximately \$1.0 mil. These expenditures include textbooks, instructional supplies, portable classroom, copier and computer leases. Utilities and legal and business services along with other costs of operation are in this expenditure grouping.

Capital Costs, such as building and grounds improvement and new equipment at budget adoption and at each interim report are shown as expenses. However at year-end these capital expenses are reclassified as assets and are included on RCS' Balance Sheet. In the UA, depreciation is the only capital expense item.

Next Steps

A formal independent audit of the school's financial records and transactions, including student attendance, is in progress. With the preparation of the UA report, RCS' financial transactions for 15-16 are complete. The UA Report along with the RCS official accounting records such as the General Ledger and Trial Balance have been forwarded to the auditor.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in RCS' financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Internal controls and categorical program management are components of the annual audit. It is anticipated that the audit will provide an opinion that the financial statements are presented fairly as of June 30, 2016 and that changes in its net assets and its cash flows for the year then ended are in accordance with generally accepted accounting principles.

CHARTER SCHOOL UNAUDITED ACTUALS
FINANCIAL REPORT -- ALTERNATIVE FORM
July 1, 2015 to June 30, 2016

CHARTER SCHOOL CERTIFICATION

Charter School Name: Ridgecrest Charter School
CDS #: #N/A
Charter Approving Entity: State Board of Education
County: Kern
Charter #: 0350

NOTE: An Alternative Form submitted to the California Department of Education will not be considered a valid submission if the following information is missing:

For information regarding this report, please contact:

<u>For County Fiscal Contact:</u>	<u>For Approving Entity:</u>	<u>For Charter School:</u>
<u>Charli Long</u> Name <u>Account Clerk II</u> <u>Kern County Superintendent of Schools</u> Title	<u>Kylie Kwok</u> Name <u>Education Fiscal Services Assistant</u> <u>Charter Schools Division, CA Dept of Ed.</u> Title	<u>Ann C. Vogel</u> Name <u>Principal, Vogel & Associates</u> Title
<u>661-636-4494</u> Telephone	<u>916-319-0498</u> Telephone	<u>415-202-0659</u> Telephone
<u>chlong@kern.org</u> E-mail address	<u>Kkwok@cde.ca.gov</u> E-mail address	<u>cathi@vogel-associates.com</u> E-mail address

To the entity that approved the charter school:

(X) 2015-16 CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL REPORT -- ALTERNATIVE FORM: This report has been approved, and is hereby filed by the charter school pursuant to *Education Code* Section 42100(b).

Signed: _____ Date: _____
Charter School Official
(Original signature required)

Printed Name: Steven F. Martinez Title: Executive Director

To the County Superintendent of Schools:

(X) 2015-16 CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL REPORT -- ALTERNATIVE FORM: This report is hereby filed with the County Superintendent pursuant to *Education Code* Section 42100(a).

Signed: _____ Date: _____
Authorized Representative of
Charter Approving Entity
(Original signature required)

Printed Name: Kylie Kwok Title: Education Fiscal Services Assistant Charter Schools

To the Superintendent of Public Instruction:

(X) 2015-16 CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL REPORT -- ALTERNATIVE FORM: This report has been verified for mathematical accuracy by the County Superintendent of Schools pursuant to *Education Code* Section 42100(a).

Signed: _____ Date: _____
County Superintendent/Designee
(Original signature required)

15-16 Uaudited Actual Financial Info in Mil

	Unrestricted	Restricted	Total
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Employee Groups

There are two main categories of employees within public school systems, **certificated staff and classified staff**. Certificated staff are those employees whose position requires a valid CA teaching and/or administrative and/or pupil personnel credential. Classified employees' services do not require a CA teaching credential.

Certificated Teaching Staff. The vast majority of certificated employees, teachers, 'earn' their pay on a daily rate which is stated as an annual contract. Most certificated employees are paid on an assigned work year basis, i.e., the number of specific working days identified and approved by the governing board. The number of days, or 'employee calendar' generally coincides with the pupil days for the year; often several additional days are added to the teacher work year for in-service and planning purposes. The additional days may be before the school year, within the school year, or after the school year.

Teachers DO NOT earn nor are they paid for **holidays or vacation days** as teachers are paid on a defined work year calendar.

Teacher Employment Contracts, in most charter schools, are an annual employment between school and employee. Major terms and conditions, such as required number of work days and annual salary, are included in the contract or referenced to another document that has been approved by the governing board. Many contracts also define employee benefits, particularly health and welfare. If employee benefits are a part of the employment contract, the proportionate amount of employer and employee contributions are noted, or referenced to another board approved document. In some schools terms of employment are stated in a Teacher Handbook, which per best practices, is reviewed and updated annually.

Certificated Administrators generally work a 12 month school year and have an individual employment contract. In contrast to teachers who have a defined work year calendar with specific work days listed, the administrative contract is full time, all year. Under this situation the administrator earns paid vacation leave. The number of days of paid vacation generally are noted on the individual employment contract.

Overtime pay is not provided to certificated staff. They are exempt from the Federal Labor Standards Act (FLSA)

Stipends and other **extra-duty extra-pay** for certificated employees is permissible. For a charter school this type compensation is reviewed on an 'as needed' basis. The governing board should adopt parameters for each type compensation, including stipends, extra-duty extra-pay.

Classified Employees. Classified employees include a variety of position groups, such as instructional, clerical, technical and other non-certificated employees including supervisory and management staff. Employees in the classified service may be salaried or hourly; the work year of employees in this group vary ranging from # of days that coincide with school days to 10 mo., 11 mo., and 12 month assignments.

Overtime pay is provided to classified staff paid on an hourly basis. Their employment is subject to the Fair Labor Standards Act.

Employee Benefits

Within the category of Employee Benefits there are mandatory benefits as well as optional benefits. The employer may have fiscal responsibility or are required to pay the costs of some benefits while other employee benefits have shared cost factors with contributions required by both the employer and employee. The cost factors for each type benefit may change periodically.

Retirement Benefits: all education employees **must** participate in (be covered) by a qualified retirement plan. The primary qualified plans are:

State Teachers' Retirement System (STRS) or CalSTRS- same system, two different acronyms, is the retirement system for the majority of certificated employees. There are a few exceptions; refer to the CalSTRS website for further information.

Public Employees Retirement System (PERS or CalPERS - same system, two different acronyms, is the retirement system for the majority of classified employees in a charter school. When the School is chartered, PERS or Social Security or both, may be the retirement system for the classified employees. There are a few exceptions when a classified employee may participate in STRS; refer to the CalPERS website for further information.

Social Security is a federal retirement system. Classified must either participate in Social Security or PERS. For a charter school the determination is made at the time the charter petition is submitted and the school is chartered. Certificated employees, while employed by a local education agency, do not participate in Social Security as they participate in STRS.

Employer Costs of Retirement Systems

Employer Costs of Retirement Systems	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CalSTRS	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%
CalPERS	11.77%	11.85%	13.05%	16.60%	18.20%	19.90%
Social Security (classified staff)	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Total CalPERS + Social Security	17.97%	18.05%	19.25%	22.80%	24.40%	26.10%
Example for \$40,000 Salary						
CalSTRS	3,552	4,292	5,032	5,772	6,512	7,252
CalPERS	4,708	4,739	5,220	6,640	7,280	7,960
Social Security -Classified Staff Only	2,480	2,480	2,480	2,480	2,480	2,480

Health and Welfare Benefits

Ridgecrest Charter School offers Medical, Dental and Vision Insurances to its employees. There are three tiers of costs: A. Employee; B. Employee + 1; Employee + Family. If an employee opts out, the employee receives \$50 per month. The cost of insurance is borne 80% by the employer and 20% by the employee. In addition the school pays for Life Insurance.

Note: Dental and Vision Coverage is Combined Relative to Plan and Cost

Monthly Cost Data per Month for 12 Months

Effective 01.01.2016	Health	EE	ER	Dental	Vision	EE	ER	Opt Out ER
Employee	599	120	479	47	9	11	45	
Employee +1	1,198	240	958	96	19	23	92	
Employee + Family	1,557	311	1,245	132	30	33	130	
Employee who opts out of medical insurances								50

Note: employee pays 20% of all medical premium costs.
Life Insurance is \$2.68 per month paid solely by the Employer.

Annual Cost Data for Eligible Employee

Effective 01.01.2016	Health	EE	ER	Dental	Vision	EE	ER	Opt Out ER
Employee	7,185	1,437	5,748	558	113	134	537	-
Employee +1	14,370	2,874	11,496	1,154	222	275	1,101	-
Employee + Family	18,681	3,736	14,945	1,589	364	391	1,562	-
Employee who opts out of medical ins	-							600

ObamaCare

Information N/A as of Apr 10, 2016. Important factor to be considered.

Other This info sheet excludes Medicare, State Unemployment, and Workers Compensation Cost and Participation Data.

COLA Projections	2015-16	2016-17	2017-18	2018-19	2019-20
	1.02%	0.47%	2.13%	2.65%	2.72%