

**Subject:**

Adopt Second Interim Report

- Action**
- Consent Agenda**
- First Read**
- Information**
- Presentation**
- Public Hearing**
- Roll Call Vote Required**

**BACKGROUND:** California Charter Schools, as public school agencies, operate on a fiscal year from July 1 to June 30<sup>th</sup>. Charter Schools are required under state law to submit a series of budget and financial reports to their authorizer and to other governmental agencies. The major financial reports include:

- Annual Budget (Preliminary Budget), on or before June 30
- Unaudited Actual Financial Report for prior Fiscal Year, Sept 15
- First Interim Report, as of Oct 31, on or before Dec 15
- Audit Report for prior Fiscal Year, Dec 15
- Second Interim Report, as of Jan 31, on or before Mar 15

In the Second Interim Report, there is a section that compares the First Interim Budget, the current budget, with the year-to-date financial activity through January 31, 2017, with an updated budget projection for 2016-2017. The updated budget projection is the actual Second Interim Budget. The last part of the Second Interim Budget Report is a set of projections of the budget for the following two fiscal years, 2017-2018 and 2018-2019.

At each reporting period, estimated data is updated when additional information is available. For instance, RCS’s budget is modified when budget changes are made at the state or federal budget level. RCS’s budget is also updated throughout the school year when ‘year-to-date’ information is posted. At all times, a budget is a guideline based upon a series of assumptions.

Major changes incorporated into the Second Interim Report are propelled by a variety of factors, primarily Beginning Balance for 2016-2017 which now is the audited Beginning Balance rather than an estimated amount plus changes for Student Enrollment and Average Daily Attendance, total staff compensation, books, supplies and operating costs. Updates to the Capital Facility Plan at Second Interim reflect pushing back to 2017-2018 the gym project.

The chart below is to provide Board Members and the community an overall view of RCS’s financial picture from a policy level. Of note are the Fund Balance and the Fund Reserves. RCS has a strong Fund Balance projected at Second Interim of \$2.0 mil. Within the Ending Balance there are a couple noteworthy items:

- A set-aside of \$1.55 mil for 2017-2018 facility projects (gym).
- A 4% designation for economic uncertainty; this approximates \$200k.

**Multi-Year Budget Executive Summary**

Budget Type	Acct Code	Ordinal Year	Year 0	Year I	Year II	Year III	Year IV	Year V
		Fiscal Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Audited Actual	Audited Actual	2nd Interim Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
<b>Key Budget and Financial Variables: Enrollment and ADA</b>								
School Enrollment		423	420	475	511	535	537	541
School ADA at P-2		388.69 *	407.08 *	452.32	485.50	508.30	510.20	514.00
Ratio of P-2 ADA to Enrollment		91.9%	96.9%	95.2%	95.0%	95.0%	95.0%	95.0%
<b>A. Revenues:</b>								
1. Revenue Limit Sources		\$ 2,739,287	\$ 2,862,887	\$ 3,800,234	\$ 3,953,986	\$ 4,230,303	\$ 4,353,248	\$ 4,502,242
2. Federal Revenues		265,507	264,619	291,201	311,400	325,500	326,900	329,400
3. Other State Revenues		319,353	541,383	427,989	444,319	439,890	442,524	446,800
4. Other Local Revenues		101,269	100,537	99,800	101,200	102,200	21,700	21,700
5. Total Revenues		\$ 3,425,416	\$ 3,769,425	\$ 4,619,224	\$ 4,810,905	\$ 5,097,893	\$ 5,144,372	\$ 5,300,142
<b>B. Expenditures:</b>								
1. Certificated Salaries	1000	\$ 1,285,211	\$ 1,419,280	\$ 1,519,890	\$ 1,666,950	\$ 1,870,069	\$ 1,963,701	\$ 2,060,972
2. Noncertificated Salaries	2000	463,754	438,538	532,255	577,232	618,045	648,868	684,119
3. Employee Benefits	3000	459,548	499,177	597,138	691,346	819,788	918,968	1,011,706
Subtotal Compensation Costs		2,208,513	2,356,995	2,649,284	2,935,527	3,307,902	3,531,537	3,756,796
4. Books and Supplies	4000	403,682	318,258	303,000	371,500	396,300	364,500	377,100
5. Services and Other Operating Expenses	5000	738,121	680,319	717,420	726,457	751,025	766,155	785,918
6. Capital Outlay	6000	90,207	111,984	1,638,000	2,006,425	327,110	310,700	312,400
8. Total Expenditures		\$ 3,440,524	\$ 3,467,557	\$ 5,307,704	\$ 6,039,910	\$ 4,782,337	\$ 4,972,892	\$ 5,232,215
<b>C. Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources and Uses</b>								
1. Net Operations: Sub Total		\$ (15,108)	\$ 301,869	\$ (688,480)	\$ (1,229,005)	\$ 315,556	\$ 171,480	\$ 67,927
<b>D. Other Financing Sources and Uses</b>								
1. Other Financing Sources	8930-8979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Total, Other Financing Sources and Uses		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>E. Net Increase (Decrease) in Fund Balance</b>								
1. Net Operations plus Total Other Financing Sources and Uses		\$ (15,108)	\$ 301,869	\$ (688,480)	\$ (1,229,005)	\$ 315,556	\$ 171,480	\$ 67,927
<b>F. Fund Balance, Reserves</b>								
1. Beginning Fund Balance								
a. As of July 1	9791	\$ 2,585,753	\$ 2,374,545	\$ 2,676,414	\$ 1,987,935	\$ 758,930	\$ 1,074,486	\$ 1,245,966
b1. Audit Adjustments to Beginning Balance	9793	(196,100)	-	-	-	-	-	-
b2. Other Restatements to Beginning Balance	9795	-	-	-	-	-	-	-
c. Adjusted Beginning Balance		2,389,653	2,374,545	2,676,414	1,987,935	758,930	1,074,486	1,245,966
2. Ending Fund Balance, June 30		\$ 2,374,545	\$ 2,676,414	\$ 1,987,935	\$ 758,930	\$ 1,074,486	\$ 1,245,966	\$ 1,313,893
Components of Ending Fund Balance (Optional):								
Other Assignments	9780	1,250,000	1,558,609	1,737,967	52,948	98,132	107,729	117,761
Reserved for Economic Uncertainties	9789	137,621	138,702	212,308	241,596	191,293	198,916	209,289
Unassigned / Unappropriated Amount	9790	986,924	979,103	37,659	464,385	785,060	939,321	986,844

\* Due to a reporting error, Revenue Limit apportionments for 2015-16 as reported for P-2 in April 2016 were initially calculated on a lower ADA, 383.52; This error was discovered in the process of preparing the 2015-16 Unaudited Actuals report and has subsequently been corrected. RCS should receive a substantial correction for Prior year Adjustments beginning February 2017, with payout completed by July 2017. In addition, while 402.57 ADA was reported at P-2 2014-15, it appears that the R-1 report amends this figure downward to 388.69; the effect of that change has not yet been determined.

For the year-to-date financial information, the data is extracted from RCS's accounting records (QuickBooks). The current year budget is a dynamic one and it is adjusted and modified regularly as needed. An example of a change would be the enrollment or departure of a student or the award of a new entitlement.

Upon approval, the Second Interim Report will be signed by a School Administrator and submitted to the Charter School Division at the Department of Education and to the Kern County Superintendent of Schools.

At each major budget time, RCS updates its Multi-Year Financial Plan. This plan includes budget projections for a five-year period, through 2020-2021. A set of detailed budget variables are identified; these variables become the basis for the Multi-Year Financial Plan. Ridgecrest Charter School, along with all other public education agencies, is

dependent upon the state and federal budgets for annual funding. At the present time there are significant policy discussions at the federal level which have potential major impact on the future funding of public schools. The detailed assumptions for revenues are thus critical to both short and long range fiscal policy decisions to be made by the Governing Board.

Staff will present highlights of the Second Interim Report at the Board Meeting and be available to respond to questions of the Governing Board.

**STAFF RECOMMENDATION:** Steve Martinez, Executive Director and Chevonne Perry, Business Manager recommend approval of the Second Interim Report as presented.

**ACTION ITEM:** The Executive Director, along with the Business Manager and the School's Business Services' Provider, recommend approval of the Second Interim Report for 2016-2017 and the School's Multi-Year Budget Plan as presented.

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that the Governing Board of the Ridgecrest Charter School adopt the proposed Second Interim Report for 2016-2017 and RCS; Multi-Year Strategic Fiscal Plan through 2020-2021, as presented.

\_\_\_\_\_ Ayes                      \_\_\_\_\_ Nays

**ATTACHMENTS:**                      **2016-2017 Second Interim Report**  
**Multi-Year Budget Projection through 2020-2021**