

2021-22 San Gabriel Valley ROP (SGVOP) First Interim Report

2021-22 First Interim Budget Summary

The budget is a policy statement. It is an evolving, comprehensive fiscal document that puts into action the San Gabriel Valley ROP policies, priorities, and commitments to the partner districts and students.

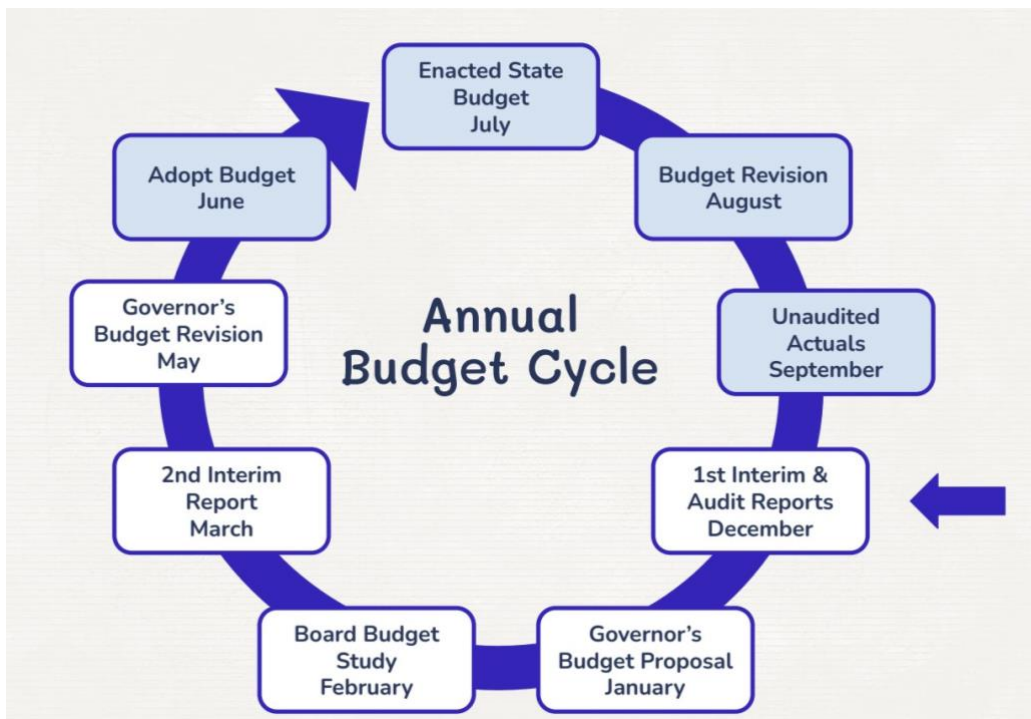
The SGVROP received \$5.5 M in COVID funds in 2021-22, which is shown at first interim to be allocated to pay for \$4.1 Million of in-person learning salaries and benefits, with the balance of \$1.4 Million carried over into 2022-23. The influx of COVID funds used for salaries and benefits will allow the SGVROP to restore unrestricted reserves. The unrestricted reserves can be used as part of the fiscal stabilization plan, allowing SGVROP to develop a multi-year approach to reducing expenditures and increasing revenue to align current year income with current-year expenditures.

The first interim budget identifies the challenges facing the SGVROP in future years as a \$1.9 Million structural deficit must be addressed. SGVROP will be required to implement a fiscal stabilization plan to ensure that current year income is aligned with current-year expenditures.

The SGVROP first interim is certified as **qualified**, meaning there is a risk of fiscal insolvency if action is not taken to resolve the underlying \$1.6 Million structural deficit (current year) and issues related to categorical program reconciliation issues that are unknown at this time.

Budget Cycle

Education requires LEAs to adopt a budget and revise it at critical points during the year. The first interim reflects activity through October 31, 2021, and must be approved by the Board by December 15, 2021.



2020-21 Unaudited Actuals

SGVROP has experienced significant staffing turnover in the business office for several years. As a result, there has been difficulty building a reliable budget and monitoring the budget. SGVROP has a significant amount of grant funding which requires a high level of monitoring and reporting to ensure that funds are appropriately accounted for and expended. The business team is researching prior year grant funding and expenditure reporting to ensure that current balances are reliable. At the close of 2020-21, \$4.6 Million in categorical income was recorded as deferred and is incorporated as income in 2021-22.

In June 2021, the Board approved a budget for 2021-22, assuming that there would be \$3.8 Million in unrestricted funding in the beginning fund balance. That assumption was incorrect.

The unrestricted ending fund balance at the close of 2020-21 was \$486,397 (line 12 in the chart below). The restricted ending fund balance was \$1.9 Million (line 13). The majority of the restricted \$1.9 Million is identified as a cumulative unspent PELL federal grant income. (unspent balances records since 2016).

It will be necessary to perform a significant level of forensic accounting to determine if this amount is owed to the federal government or if the funds were expended and not recorded correctly in the financial statements of the SGVROP.

		San Gabriel Valley ROP	
		2020-21 End of Year Actuals	
		2021-22 June Adopted Budget	
		A	B
		2020-21	2021-22
		PY Unaudited Actual	Board Budget
1	Income	7,971,603	9,020,938
2	Expenditures	8,914,939	10,706,973
3			
4	Income less Expenditures	(943,336)	(1,686,035)
5			
6	Beginning Fund Balance	7,791,468	3,980,000
7	Audit Adjustments	(4,135,343)	
8	Ending Fund Balance	2,712,789	2,293,965
9	Fund Balance Designations:		
10	Revolving Cash	10,000	10,000
11	Reserve for Economic Uncertainty	267,448	321,209
12	Unassigned	486,397	1,962,756
13	Restricted	1,948,944	
14	Restricted COVID		
15	Total Fund Balance	2,712,789	2,293,965
16			
17	Reserve EU % of Expenditures	3.00%	3.00%
18	Reserve Unassigned and EU	753,845	2,283,965
19	Reserve Unassigned and EU as %	8.46%	21.33%
<i>Note: Deferred Revenue \$4.6 M at close of 2020-21</i>			

2021-22 First Interim Budget

The 2021-22 first interim budget (column D) shows the SGVROP with a 5% reserve for economic uncertainty (line 11) and unassigned reserves (line 12) of \$2.5 Million.

The SGVROP received \$5.5 Million in COVID funds in 2021-22, which is shown at first interim to be allocated to pay for \$4.1 Million of in-person learning salaries and benefits, with the balance of \$1.4 Million carried over into 2022-23. The influx of COVID funds used for salaries and benefits will allow the SGVROP to restore unrestricted reserves. The unrestricted reserves can be used as part of the SGVROP fiscal stabilization plan, allowing SGVROP to develop a multi-year approach to reducing expenditures and increasing revenue to align current year income with current-year expenditures.

The last column below shows the first interim without COVID funds. The structural deficit is \$1.6 Million (line 4). The total unrestricted ending fund balance would have been a negative \$832,984 (line 17) had immediate correction action not been taken. SGVROP will be required to implement a fiscal stabilization plan to ensure that current year income is aligned with current-year expenditures.

		A	B	C	D	E
		2020-21	2021-22	2021-22	2021-22	2021-22
SGVROP 2021-22 First Interim Summary		PY Unaudited Actual	Budget Board Approved	October Board Approved (Original)	First Interim with COVID	First Interim NO COVID \$
				*	***	***
1	Income	7,971,603	9,020,938	8,372,670	18,267,542	12,740,693
2	Expenditures	8,914,939	10,706,973	8,738,083	14,327,522	14,327,522
3						
4	Income less Expenditures	(943,336)	(1,686,035)	(365,413)	3,940,020	(1,586,829)
5						
6	Beginning Fund Balance	7,791,468	3,980,000	2,712,789	2,712,789	2,712,789
7	Audit Adjustments	(4,135,343)				
8	Ending Fund Balance	2,712,789	2,293,965	2,347,376	6,652,809	1,125,960
9	Fund Balance Designations:					
10	Revolving Cash	10,000	10,000	10,000	10,000	10,000
11	Reserve for Economic Uncertainty	267,448	321,209	330,655	716,376	716,376
12	Unassigned	486,397	1,962,756	-	2,590,470	(1,549,360)
13	Restricted	1,948,944		2,006,721	1,948,944	1,948,944
14	Restricted COVID				1,387,019	
15	Total Fund Balance	2,712,789	2,293,965	2,347,376	6,652,809	1,125,960
16	Reserve EU % of Expenditures	3.00%	3.00%	3.78%	5.00%	5.00%
17	Reserve Unassigned and EU	753,845	2,283,965	330,655	3,306,846	(832,984)
18	Reserve Unassigned and EU as %	8.46%	21.33%	3.78%	23.08%	-5.81%
<i>Note the required reserve level is 5%</i>						
<i>* (Column C) October revised budget approved by the board reflects an accurate beginning balance and revised income and expenditures that were a work in progress. This is noted on the first interim report as Original Budget in column 1.</i>						
<i>** (Column D) First interim with \$5.5 M in COVID funds provides short term relief from fiscal crisis. Also incorporates \$4.6 M in deferred income with corresponding expenditures from prior year restricted funds</i>						
<i>*** (Column E) First interim without COVID funds, show the structural deficit (line 4) of \$1.5 M. SGVROP would have been insolvent in the current year without this funding (line 17 shows negative ending balance)</i>						

2021-22 First Interim Multi-Year Projection (MYP)

SGVROP must take action in 2021-22 and future years to address the structural deficit, which will increase from \$1.6 to \$1.9 M in 2023-24 unless action is taken to align current year expenditures with current income. The reserves established in 2021-22 (line 12, \$2.6 Million) will be depleted to \$300,000 by 2023-24.

		2021-22	2022-23	2023-24
	SGVROP 2021-22 First Interim Summary MYP			
1	Income	18,267,542	12,740,694	11,353,675
2	Expenditures	14,327,522	14,459,726	13,319,964
3				
4	Income less Expenditures	3,940,020	(1,719,032)	(1,966,289)
5				
6	Beginning Fund Balance	2,712,789	6,652,809	4,933,777
7				
8	Ending Fund Balance	6,652,809	4,933,777	2,967,488
9	Fund Balance Designations:			
10	Revolving Cash	10,000	10,000	10,000
11	Reserve for Economic Uncertainty	716,376	722,986	665,998
12	Unassigned	2,590,470	2,251,847	342,546
13	Restricted	1,948,944	1,948,944	1,948,944
14	Restricted COVID	1,387,019		
15	Total Fund Balance	6,652,809	4,933,777	2,967,488
16	Reserve EU % of Expenditures	5.00%	5.00%	5.00%
17	Reserve Unassigned and EU	3,306,846	2,974,833	1,008,544
18	Reserve Unassigned and EU as %	23.08%	20.57%	7.57%

State Required Forms (summary snapshots)

Note that Original Budget (column a) is the October board-approved operating budget. Board-approved operating budget (column b) reflects some budget revisions posted to the system while the first interim budget was in the development stage. Actuals to date (column c) reflect transactions through October 31, 2021. Projected Year totals (column d) is the first interim budget, and after board approval, will become the approved operating budget.

The complete set of required State and county forms for the 1st Interim Report are included in this report.

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff Column B & D (F)
A. REVENUES								
1) LCFF Sources		8010-8099	0.00	0.00	0.00	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.00	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	2,217,714.44	2,217,714.44	51,572.34	12,216,562.52	9,998,848.08	450.9%
4) Other Local Revenue		8600-8799	6,154,956.09	6,154,956.09	1,109,375.88	6,050,980.47	(103,975.62)	-1.7%
5) TOTAL, REVENUES			8,372,670.53	8,372,670.53	1,160,948.22	18,267,542.99		
B. EXPENDITURES								
1) Certificated Salaries		1000-1999	2,574,321.00	3,056,349.00	754,806.72	3,599,345.17	(542,996.17)	-17.8%
2) Classified Salaries		2000-2999	1,688,436.10	2,285,954.00	369,875.04	1,665,578.10	620,375.90	27.1%
3) Employee Benefits		3000-3999	1,623,732.84	2,225,411.00	344,275.61	1,887,076.96	338,334.04	15.2%
4) Books and Supplies		4000-4999	1,456,904.87	1,456,904.87	163,089.88	5,383,321.02	(3,926,416.15)	-269.5%
5) Services and Other Operating Expenditures		5000-5999	1,388,688.00	1,388,688.00	745,613.08	1,572,555.88	(183,867.88)	-13.2%
6) Capital Outlay		6000-6999	6,000.00	6,000.00	24,978.11	219,645.37	(213,645.37)	-3560.8%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.00	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.00	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			8,738,082.81	10,419,306.87	2,402,638.44	14,327,522.50		
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(365,412.28)	(2,046,636.34)	(1,241,690.22)	3,940,020.49		
D. OTHER FINANCING SOURCES/USES								
1) Interfund Transfers								
a) Transfers In		8900-8929	0.00	0.00	0.00	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.00	0.00	0.00	0.0%
2) Other Sources/Uses								
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.00	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.00	0.00		
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(365,412.28)	(2,046,636.34)	(1,241,690.22)	3,940,020.49		

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff Column B & D (F)
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(365,412.28)	(2,046,636.34)	(1,241,690.22)	3,940,020.49		
F. FUND BALANCE, RESERVES								
1) Beginning Fund Balance								
a) As of July 1 - Unaudited		9791	2,712,788.53	2,712,788.53		2,712,788.53	0.00	0.0%
b) Audit Adjustments		9793	0.00	0.00		0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			2,712,788.53	2,712,788.53		2,712,788.53		
d) Other Restatements		9795	0.00	0.00		0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			2,712,788.53	2,712,788.53		2,712,788.53		
2) Ending Balance, June 30 (E + F1e)			2,347,376.25	666,152.19		6,652,809.02		
Components of Ending Fund Balance								
a) Nonspendable								
Revolving Cash		9711	10,000.00	10,000.00		10,000.00		
Stores		9712	0.00	0.00		0.00		
Prepaid Items		9713	0.00	0.00		0.00		
All Others		9719	0.00	0.00		0.00		
b) Restricted		9740	2,006,721.22	2,286,225.22		3,335,962.75		
c) Committed								
Stabilization Arrangements		9750	0.00	0.00		0.00		
Other Commitments		9760	0.00	0.00		0.00		
d) Assigned								
Other Assignments		9780	0.00	0.00		0.00		
e) Unassigned/Unappropriated								
Reserve for Economic Uncertainties		9789	330,655.03	0.00		716,376.10		
Unassigned/Unappropriated Amount		9790	0.00	(1,630,073.03)		2,590,470.17		