

Review of Ojai USD's Draft Second Interim Report for 2022-23

Technical Notes and Observations

as of February 28, 2023

At the request of Ojai Unified School District, Ventura County Office of Education (VCOE) has reviewed the district's second interim 2022-23 draft report. The scope of our review focused on the General Fund budget and multiyear projections. We are providing the technical notes and observations from the review. Our review is not intended to find any and all errors that need correction. However, if discovered we have included in the notes.

In the draft second interim report, we have identified more than \$7M in errors over the three-year reporting period.

The district has included in the draft second interim reduction of \$2.2M for 2023-24. VCOE has suggested the district include reductions of approximately \$3M in 2023-24 to allow options and the ability for the district to meet its obligations in 2023-24. Even with these reductions, it appears the district would need to make further reductions in 2024-25.

With the second interim report, a board approved reduction plan of at least \$3M allows flexibility for staffing adjustments to accommodate for unknown fiscal impacts, such as the outstanding audit report, a final 2023-24 state budget, school closure and reconfiguration options. We understand the March 1, 2023 board meeting will include a discussion and action related to accomplishing reductions to achieve fiscal solvency in 2023-24.

Items affecting current year budget and/or multi-year projection and needs to be adjusted before final second interim report is submitted to VCOE:

1. The Health & Welfare (Object 34xx) second interim budget has \$3,701,449 and does not equal the agreed upon estimated amount of \$3,813,532. It appears after a lengthy reconciliation support process between VCOE and the district completed thus far, the district reloaded salaries into the budget model reducing the health & welfare estimate. Please correct the Health & Welfare total back to \$3,813,532. This error is an increase in expense of \$112,083.
2. Local Revenues continues to have similar issues as stated at First Interim. The amounts budgeted need to be substantiated with supporting documentation, which are either grant awards, contracts, or details that validate and verify the local revenue projections.
 - a. Local donations (Resource 9012) appear overstated in the budget and do not align with the recent trends. The second interim draft has \$282,937. The district's trend is \$160,000. Please provide backup for the increase in donations or reduce the revenue by \$120,000 in current and subsequent years.
 - b. Local revenue in current year includes budget for stale-dated checks. The local revenue in 2022-23 should be reduced by \$85,000. For 2023-24 and 2024-25, the local revenue is overstated by \$258,000 each year. The one-time grant of \$220,000 received in 2022-23 should be removed in the subsequent years unless the grant documentation can be provided the grant is on-going.

- Certificated other salary budgets (non-base pay, such as hourly, substitutes, stipends, etc...) appear to be underestimated based on current year-to-date actual expenses by approximately \$565,000. The second interim certificated salaries need to be increased back to the district's first interim projection.

Fund 010 Resource 0000-9999					
			Encum. + Exp.	Estimated	
Objects	First Interim	Second Interim	thru 2/28/22	Budget Needed	Difference
1101-1199	811,880	300,475	425,622	851,245	550,770
1201-1299	38,000	6,000	115	229	(5,771)
1301-1399	122,000	10,000	7,306	14,612	4,612
1901-1999	6,305	13,000	12,764	25,528	12,528
Total	978,185	329,475	445,807	891,614	562,139

- Classified other salary budgets (non-base pay, such as hourly, substitutes, stipends, etc...) appear to be underestimated based on current year-to-date actual expenses by approximately \$505,000. The second interim classified salaries need to be increased.

Fund 010 Resource 0000-9999					
			Encum. + Exp.	Estimated	
Objects	First Interim	Second Interim	thru 2/28/22	Budget Needed	Difference
2101-2199	85,000.00	12,839.00	79,769.36	159,539	146,700
2201-2299	35,000.00	43,000.00	138,657.36	277,315	234,315
2301-2399	-	700.00	2,165.85	4,332	3,632
2401-2499	-	-	43,391.17	86,782	86,782
2901-2999	64,385.00	138,035.00	86,115.20	172,230	34,195
Total	184,385.00	194,574.00	350,098.94	700,197.88	505,624

- The fees and expenses for the Tax Revenue and Anticipation Note (TRAN) cash flow loan are in the second interim draft at \$42,000. The actual expense will be \$177,000, please update the second interim other consulting services (object 58xx). The impact is an additional expense of \$135,000.
- Per the recently released CDE P-1 certification, the Special Education revenue (Resource 6500) has decreased in 2022-23 from \$1,887,950 to \$1,870,630. Please reduce the revenue by \$17,320. This reduction in revenue is because of less ADA; therefore, the revenue in the projection years also need to be reduced.
- The district provided a reduction list to VCOE for Campus Configuration Option 1A (Matilija K-8 with construction phase and TK-3 class size at 24:1) totaling \$2.2M. Subsequently, the district provided more details for the reductions which included an additional 1.5 FTE elementary reduction. The reduction list and subsequent details vary from the actual amounts in the financial/payroll system. There appears to be approximately \$100,000 to \$300,000 difference between the two sets of information provided and what is in the payroll system. Please provide an updated list of reductions that will be included with the final second interim report.

8. We did a precursory review of the Cafeteria Fund because of the potential negative impact to the General Fund. The revenues and expenditures appear not to be accurate. Our calculations project that the General Fund contribution may need to increase to approximately \$260,000. Please reconcile the Cafeteria Fund and include in the second interim the correct contribution from the General Fund to balance the Cafeteria Fund.
9. The General Fund 2022-23 restricted beginning fund balance of \$2,042,825 does not match the General Fund 2021-22 restricted ending fund balance of \$2,049,952 from Unaudited Actuals. Please correct the amount in the second interim budget. This is an increase to restricted beginning fund balance of \$7,127. It appears the district adjusted the restricted beginning fund balance after first interim as it was correct in that report.
10. Per the consortium allocation worksheets, the Strong Workforce revenue (Resource 6388) for 2022-23 is \$838,101, 2023-24 is \$293,496, and 2024-25 is \$193,496. However, the second interim draft budgeted revenue is \$1,033,133 for 2022-23, \$366,808 for 2023-24, and 2024-25 for \$366,808. Please provide an updated consortium allocation worksheet or adjust the second interim budget.
11. Learning Recovery Emergency Block Grant (Resource 7435) in the second interim draft has \$350,000 for the fiscal advisor and fiscal expert and \$45,000 for district's contracted fiscal support. Per CDE guidance, allowable uses for the grant are for learning recovery initiatives that support academic learning recovery, and staff and pupil social and emotional well-being. Using this grant for fiscal support expenditures appear to not align with the allowable uses. Please move this budget to a resource that allows this expense. The district mentioned using the resource 6762 which would be allowable.

Miscellaneous Second Interim Non-General Fund Budget other form corrections:

12. Attendance Form: For the final second interim, please correct the following items:
 - a. Estimated Funded ADA Board Approved Operating Budget (Column B) did not match First Interim Estimated Funded ADA Projected Year Totals (Column D).
 - b. Estimated Funded ADA Projected Year Totals (Column D) Line A1 should be 2,208.71 and Line A5b should be 2.90 which matches the LCFF calculator.
13. Criteria and Standards: VCOE only reviewed Section S8 A, B, C for the FTE changes and health and welfare amounts; the data did not match the multi-year projection. Please contact VCOE for guidance with this section.
14. Cashflow: As agreed-upon, VCOE will assist the district in preparing a second interim cashflow after the corrections noted above are reviewed and completed for a final second interim budget. To meet the district's board meeting deadline, please send the completed second interim electronic file to VCOE (SBASsubmittals@vcoe.org) by 9am Monday, March 6, 2023.

Items affecting general ledger and needs to be corrected before year-end closing:

15. A Place to Grow (Resource 0673) actual revenues are currently negative at (\$807.50). The district has the revenue in the local bank account but has not sent the funds for deposit to the County Treasury.

When the funds are received, the revenue is recorded in financial system. Best practice is to send deposits weekly and reconcile the local bank accounts monthly.

16. The district has not yet cleared prior year account receivable and payable balances. Please review and clear the accounts.
17. Dues and Membership (Object 53xx) actual expenditures need review. On February 8, VCOE sent the district a list of 65 purchase orders totaling approximately \$473,000 in which the purchase order description indicates that the charge belongs to a different expense account other than object code 53xx. A significant majority of the expenses appear to be for professional/consulting services and operating expenditures (object 5800). Please review and correct as necessary.
18. There are Child Development Assistant and Leader positions (object 19xx) that after processing a position account retro are charged to teacher salaries (object 11xx). Please review and correct as necessary.
19. The bargaining unit code for counselors and psychologists are inconsistently used in the payroll system. Counselors are part of the OFT (bargaining code 1) and psychologists are part of certificated management (bargaining code 4). Also, we noted instances when the bargaining unit code 0 was used which means no bargaining unit is assigned. This could affect salary raise calculations, bargaining unit costs reports, and bargaining unit dues that are collected from members and paid to the Federation. Please review and correct as necessary.
20. Special Education American Rescue Plan IDEA (Resource 3305) are one-time federal funds, in the second interim draft are comingled with the on-going Special Education IDEA funds (Resource 3310). Please correct.