

**SIERRA MONTESSORI ACADEMY
ADOPTED BUDGET
FISCAL YEAR 2018-19
NARRATIVE**

Situational Overview

The May Revision represents Governor Jerry Brown’s final State Budget proposal of his four terms as Governor of California. Also, it is the final statutory opportunity for the Governor to update his economic projections prior to enactment of the State Budget in June. Factors such as tax revenues, population growth, and competing state priorities are all detailed in the Governor’s May Revision.

This year, there was positive news in January when the Governor announced his proposal to fully fund the Local Control Funding Formula (LCFF) in 2018-19, two years earlier than originally planned. He also proposed significant one-time discretionary funds scored against outstanding mandate claims, once again. And the Governor proposed to continue funding Career Technical Education (CTE) grants outside of the LCFF.

Highlights of SMA’s 2017-18 Adopted Budget reflect the funding increases:

- \$46,251 increase projected in Local Revenue primarily.

SMA expects a significant increase in revenues over expenditures enabling the school to easily meet its reserves as well as increase its Undesignated Fund Balance to well over \$250,000.

Enrollment and ADA Analysis

For this 2018-19 Adopted Budget, a conservative projected enrollment of 148 and projected ADA of 144.18 was used in the LCFF calculator.

The following table summarizes, for comparison, the 2018-19, 2017-18 P2 Actual:

	18/19	17/18
	Adopted	P2 Actual
Enrollment	148	152
ADA	144.18	148.22
ADA %	95 %	95%

Revenue Projection

Since the 2013-14 school year, California's Local Control Funding Formula (LCFF) has been used to determine a school's projected principal apportionment for the year. It is the largest source of public school funding. When used for school interim budgeting, the LCFF is based on a school's projection of Average Daily Attendance (ADA) at the next formal reporting period.

This adopted budget is based on SMA's projection of the second Principal Apportionment for the P2 reporting period which ends on April 1, 2018.

In addition to higher General Purpose funding in the LCFF, SMA will receive a one-time \$42,533 Discretionary Grant per 2017-18 P2.

	2nd Interim 2017-18	Adopted 2018-19	Difference Increase or (Decrease)
REVENUES			
General Purpose 8010-8099	\$ 1,198,551	\$ 1,244,802	\$ 46,251
Federal Revenue 8100-8299	\$ 63,917	\$ 48,833	\$ (15,084)
State Revenue 8300-8599	\$ 112,433	\$ 157,967	\$ 45,534
Local Revenue 8600-8799	\$ 58,618	\$ 58,618	\$ 0
TOTAL REVENUES	\$ 1,433,519	\$ 1,510,220	\$ 76,701

Cost Analysis

The following table provides a summary of SMA's 2018-19 Adopted Budget expenditure projections and compares them with those projected in the 2nd Interim Budget for 2017-18:

	2nd Interim 2017-18	Adopted 2018-19	Difference Increase or (Decrease)
EXPENDITURES			
Certificated Salaries 1000-1999	\$ 509,273	\$ 605,030	\$ 95,757
Classified Salaries 2000-2999	\$ 253,930	\$ 208,735	\$ (45,195)
Employee Benefits 3000-3999	\$ 220,665	\$ 225,153	\$ 32,473
Books & Supplies 4000-4999	\$ 99,772	\$ 112,633	\$ 12,861
Services 5000-5999	\$ 299,491	\$ 295,726	\$ (3,765)
TOTAL EXPENDITURES	\$ 1,383,131	\$ 1,447,278	\$ 64,147
REVENUE LESS EXPENDITURES	\$ 50,388	\$ 62,942	\$ 12,554

Expenditure differences in this 2018-19 versus the 2nd Interim Budget are due to:

- Salary increase due to minimum wage increase and benefits increases. Full time Director and Full time Special Ed teacher. Benefit costs.
- 1 less full time Administrative Assistant.

Cash and Reserves

SMA’s net increase in fund balances easily covers all the required reserves and adds significantly to its undesignated balance of funds. SMA’s cash position, month by month, is quite sufficient to cover all 2018-19 expenses as they come due. While next year’s enrollment uncertainty is always a factor, conservative fiscal management and a close eye on spending will ensure that SMA’s Cash and Reserves position will continue to be not only stable but very positive.

The following table compares the 2017-18 2nd Interim Budget Cash and Reserves projection with that projected in the 2018-19 Adopted Budget.

	2nd Interim 2017-18	Adopted 2018-19
FUND BALANCE		
Net Increase/Decrease	\$ 50,388	\$ 62,942
Beginning Fund Balance	\$ 291,114	\$ 341,502
Ending Fund Balance	\$ 341,502	\$ 404,444
<u>Components of Ending Fund Balance</u>		
Revolving Fund	\$ 1,000	\$ 1,000
Clearing Account	\$ 100	\$ 100
Required Reserve (5% of expenditures)	\$ 69,156	\$ 72,364
Spec Ed Reserve (2% of expenditures)	\$ 27,663	\$ 28,946
Other – Prop 39	\$	\$
Undesignated	\$ 243,583	\$ 302,034

SMA is required to reserve 5% of expenditures for Economic Uncertainty. SMA is also required to place 2% of expenditures in a Special Education reserve. Reserves in this budget are higher than projected in the Adopted budget due to this year’s higher projected expenditures.

Conclusion

SMA’s financial condition continues to improve. SMA’s teaching staff is solid and our educational program is well regarded. Nearly all classes are wait-listed. Word of mouth contributes to most new

enrollments. The school will continue to offer an excellent educational alternative to parents in the South Nevada County area for years to come.

EXHIBIT A

**Student Data - Historical and Projected
Sierra Montessori Academy
2018-19 Adopted Budget**

SITE BASED Enrollment By Grade	16/17 Annual	17/18 P1 Actual	17/18 P2 Actual	18/19 Actual	19/20 Projection	20/21 Projection	22/23 Projection
T/K	11	18	17	19	19	19	19
1	14	16	17	19	19	19	19
2	16	15	16	16	16	16	16
3	13	16	15	15	15	15	15
4	14	17	17	17	17	17	17
5	22	17	15	16	16	16	16
6	16	19	16	17	17	17	17
7	20	13	12	18	18	18	18
8	20	20	18	15	15	15	15
9							
10							
11							
12							
Total Enrollment	146	151	143	152	152	152	152

Average Daily Attendance

Actual/Projected Percentage	96.05	94.11	95	95	95.00	95.00	95.00
Actual/Projected ADA	137.87	143	144.18	144.18	144.18	144.18	144.18

Economically Disadvantaged Students

Number of Students	71	82	82	82	82	82	82
--------------------	----	----	----	----	----	----	----