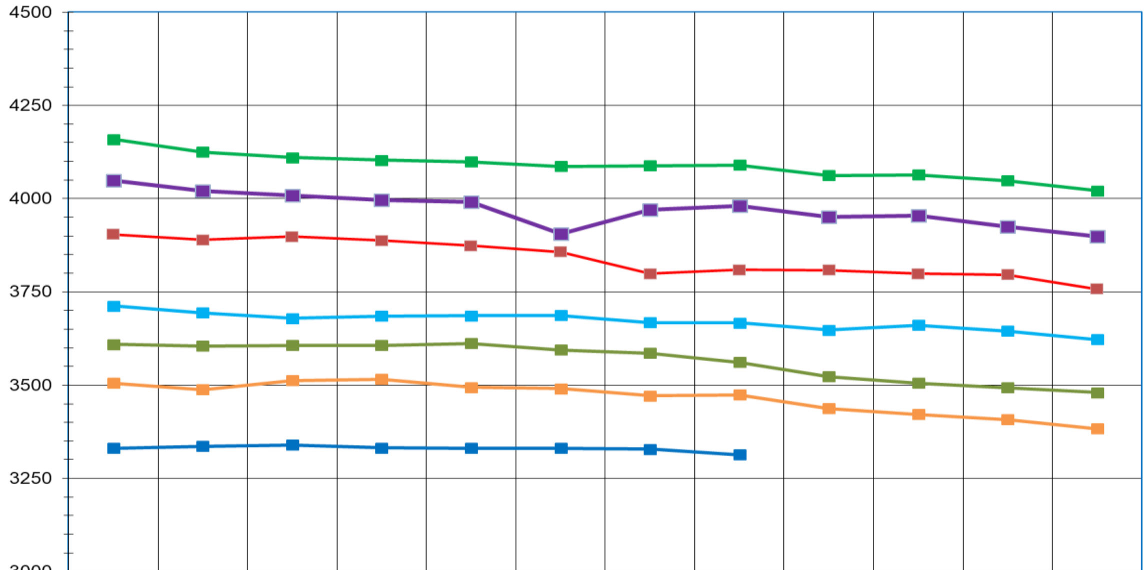
RIM OF THE WORLD UNFIED SCHOOL DISTRICT
BUDGET ASSUMPTIONS 2017/18 – SECOND INTERIM
MARCH 8, 2018

The District is Self-Certifying "Positive" in its submission of the 2nd Interim Financial Report. A positive certification is dependent on certain Assumptions.

Enrollment Update:

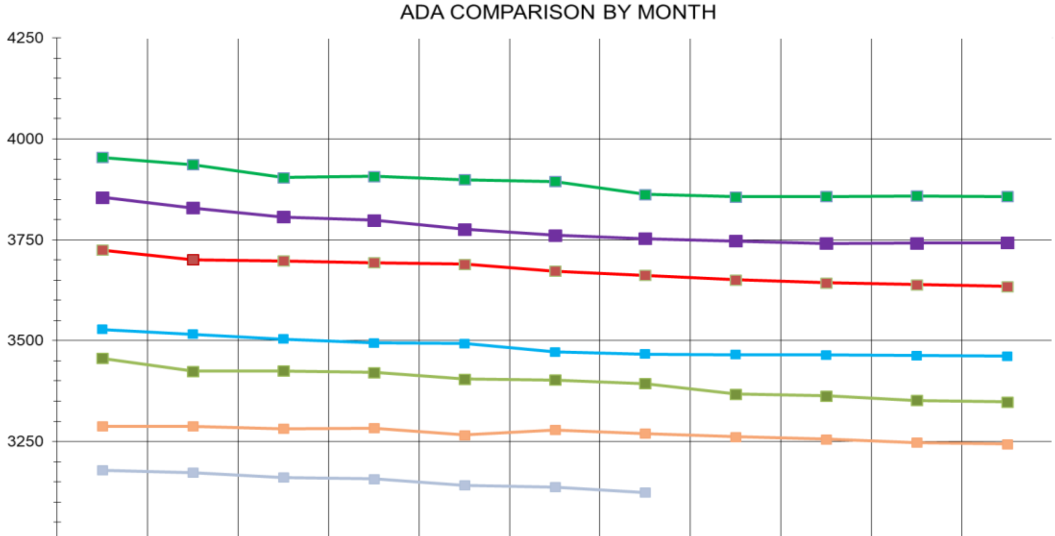
RIM OF THE WORLD UNIFIED SCHOOL DISTRICT
ENROLLMENT COMPARISON BY MONTH



	Validation 3rd week of sch	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11
11/12	4159	4125	4110	4103	4099	4087	4088	4090	4062	4064	4048	4021
12/13	4048	4021	4008	3997	3991	3905	3970	3981	3951	3954	3924	3899
13/14	3904	3889	3898	3888	3874	3857	3799	3809	3808	3799	3796	3758
14/15	3712	3694	3679	3685	3686	3687	3668	3667	3648	3661	3645	3622
15/16	3609	3605	3607	3607	3612	3594	3586	3561	3523	3505	3493	3480
16/17	3505	3488	3512	3516	3494	3491	3471	3474	3437	3422	3408	3383
17/18	3331	3336	3340	3332	3331	3331	3328	3313				

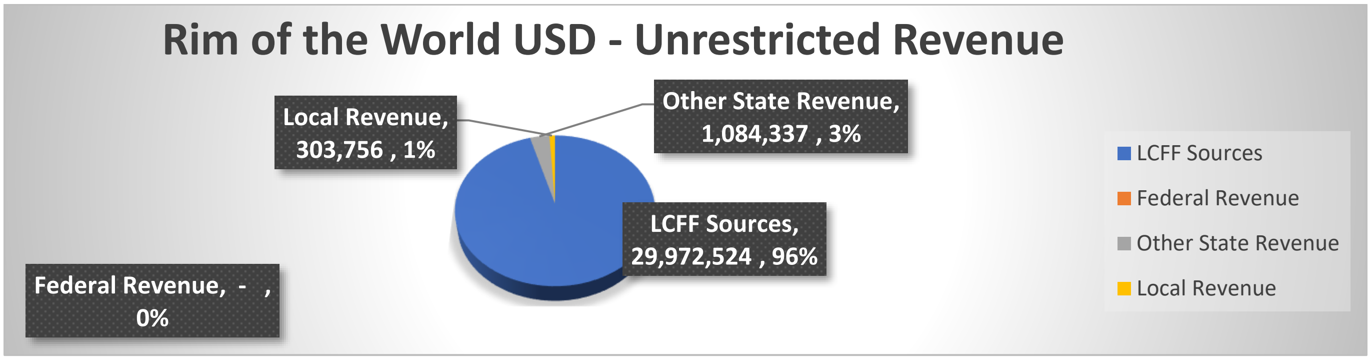
Average Daily Attendance (ADA) Update

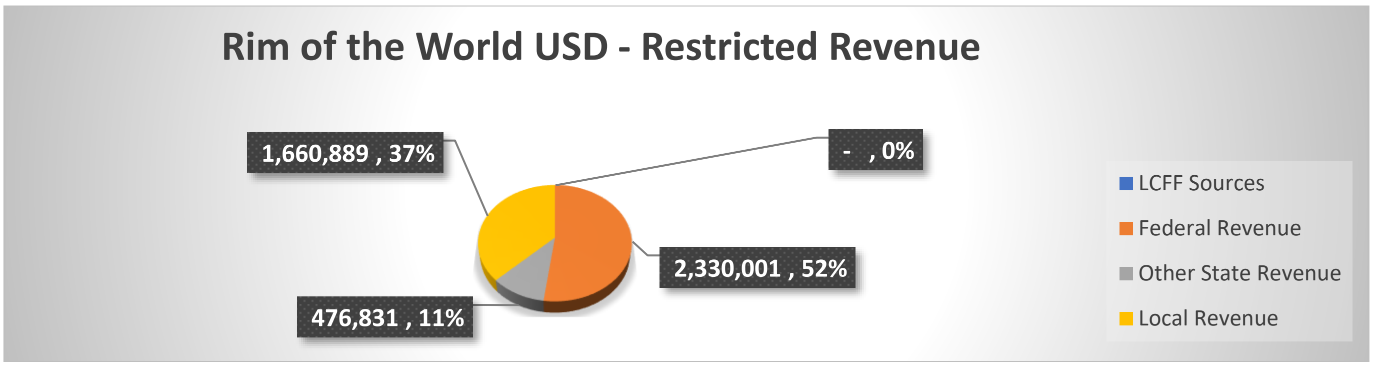
RIM OF THE WORLD UNIFIED SCHOOL DISTRICT
ADA COMPARISON BY MONTH

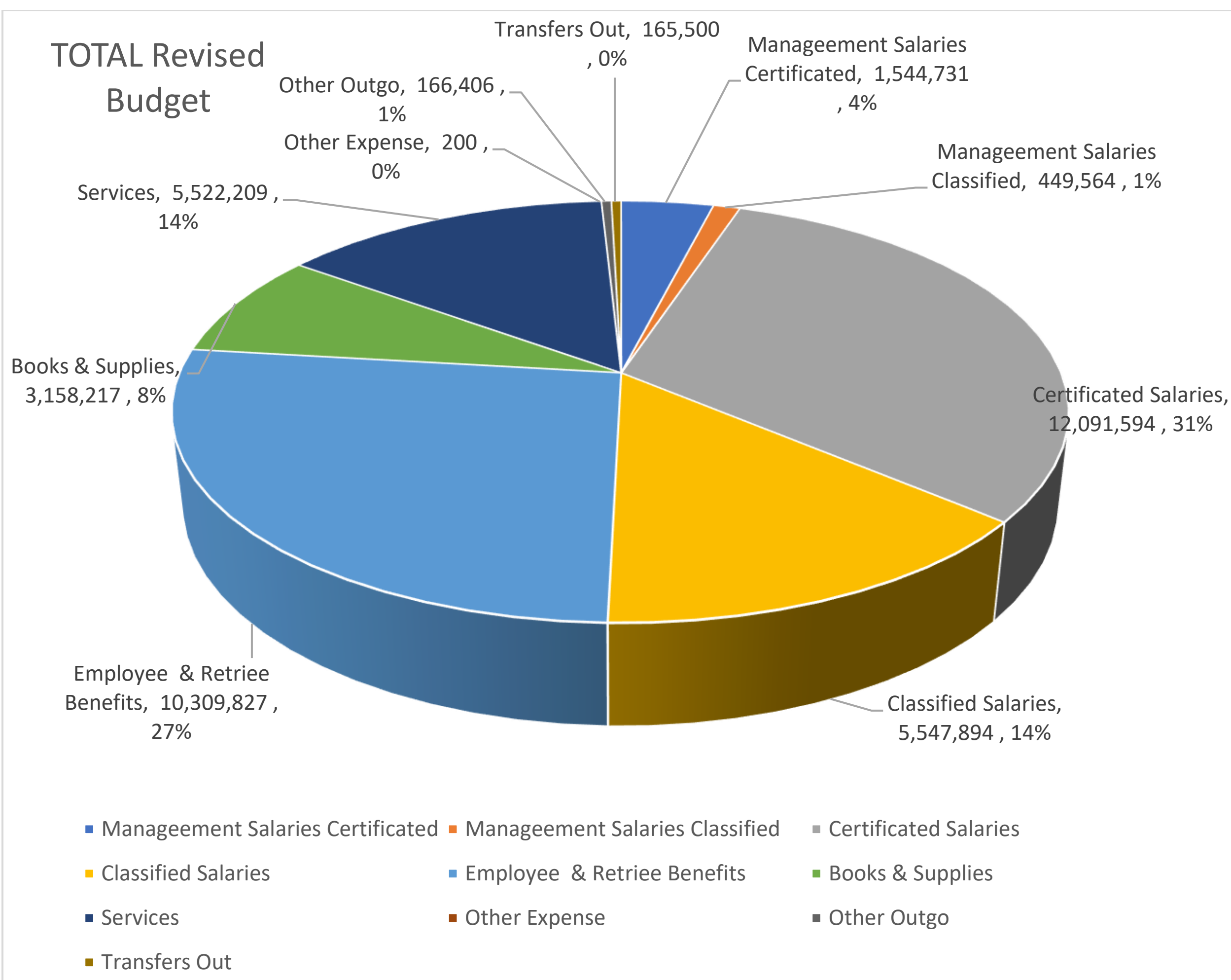


	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8 P2	Mo 9	Mo 10	Mo 11
11/12	3953.96	3936.55	3904.15	3907.29	3898.79	3894.41	3862.75	3856.42	3857.41	3858.85	3857.47
12/13	3855.24	3828.61	3806.41	3798.16	3776.15	3761.16	3753.18	3746.84	3740.73	3741.34	3742.32
13/14	3724.49	3700.96	3697.40	3693.33	3689.38	3672.21	3662.05	3650.68	3643.54	3639.08	3634.23
14/15	3527.90	3516.08	3504.28	3494.08	3492.66	3471.91	3466.96	3465.27	3464.36	3462.96	3461.53
15/16	3456.48	3424.12	3424.99	3421.56	3404.74	3402.74	3393.33	3367.28	3362.84	3351.83	3348.36
16/17	3287.55	3288.17	3281.84	3283.08	3265.98	3278.97	3270.02	3261.80	3256.00	3247.91	3243.74
17/18	3179.06	3173.14	3161.44	3157.75	3141.79	3137.14	3123.94				

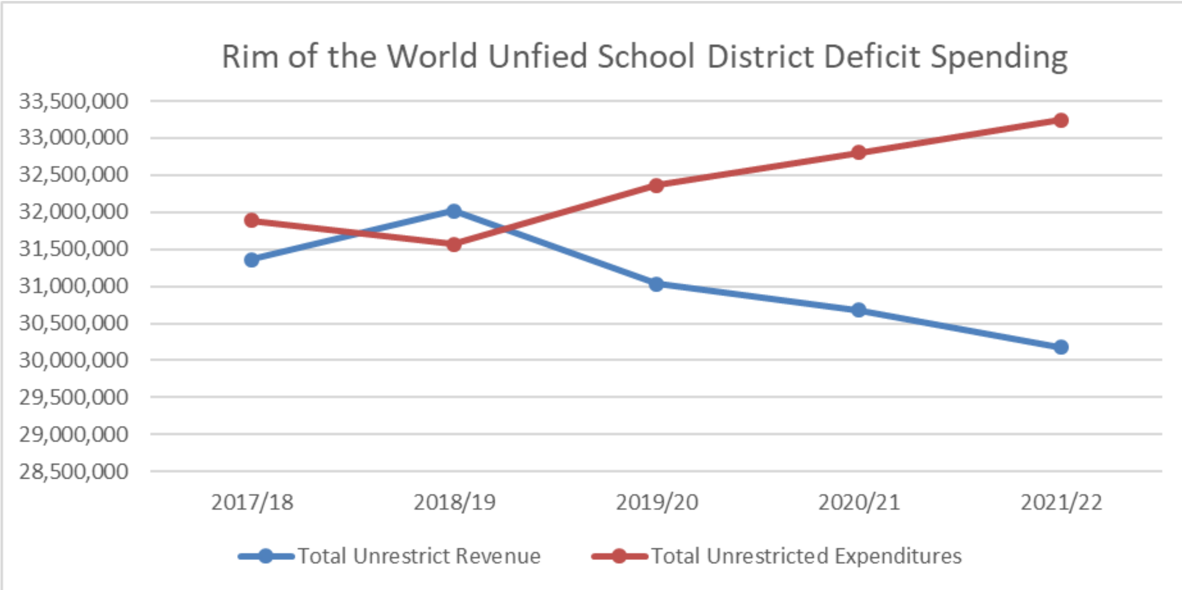
General Fund Revenue Sources







MAJOR CATEGORY OF FUNDING SOURCES AND EXPENDITURES				
Working Budget 2017-18 - Second Interim				
	Unrestricted	Restricted	TOTALS	
LCFF Sources	29,972,524	-	29,972,524	
Federal Revenue	-	2,330,001	2,330,001	
Other State Revenue	1,084,337	476,831	1,561,168	
Local Revenue	303,756	1,660,889	1,964,645	
TOTAL REVENUE	**31,360,617**	**4,467,721**	**35,828,338**	
Certificated Salaries				
Teacher Salaries	9,465,087	2,018,973	11,484,060	0.295
Certificated Support	494,034	135,500	629,534	0.016
Certificated Administration	1,372,990	149,741	1,522,731	0.039
	11,332,111	2,304,214	13,636,325	0.350
Classified Salaries				
Instructional Aides	193,158	1,094,795	1,287,953	0.033
Classified Support	2,293,868	434,388	2,728,256	0.070
Classified Supervisor/other support	245,080	51,685	296,765	0.008
Clerical/other office	1,589,918	94,565	1,684,483	0.043
	4,322,025	1,675,433	5,997,458	0.154
Employee Benefits	6,671,109	1,780,221	8,451,330	0.217
Retiree Benefits/Incentive	1,858,497	-	1,858,497	0.048
	8,529,606	1,780,221	10,309,827	0.265
				0.769
Books and Supplies	715,339	2,442,878	3,158,217	
Services, Contracted services and Utilities	2,843,050	2,845,765	5,688,815	
	3,558,389	5,288,643	8,847,032	0.227
Contributions:				
Special Education	2,720,850	(2,720,850)	-	
Routine Repair and Maintenance	1,257,774	(1,257,774)	-	
Cafeteria	165,500		165,500	
			-	0.000
Total Expenditures	31,886,256	7,069,886	38,956,142	0.996
(Deficit)/Surplus	(525,639)	(2,602,165)	(3,127,804)	
Beginning Fund Balance	5,376,114	2,725,409	8,101,523	
Ending Fund Balance	4,850,475	123,244	4,973,719	
2018-19 (Deficit/Surplus)	447,864.00			
2019-20 (Deficit/Surplus)	(1,334,988.00)			
3% Minimum Reserve	1,104,363.00			
Other Reserves *	1,973,325.00			
Ending Fund Balance - Current cycle	**885,663**			



Multi-year Projections include the following:

- LCFF GAP % at 100%
- COLA in fiscal years 18/19 and 19/20 at 2.51% and 2.41% respectively
- Savings from reduction in staff due to declining enrollment
- Savings from employees who may retiree
- Increased Health and Welfare rates
- Increase in STRS and PERS rates
- Increase in Utility costs
- Savings from Board Approved Reductions and Bargaining Unit agreements
- Savings from reduction to discretionary spending
- Savings from other staff reductions
- One-time funds continued to 2018-19 – Estimated at $295 per ADA
- Decrease in Revenue from declining enrollment
- Increase in costs associated with Step and Column

Cautions for ROWUSD –

- *Increase SPED and Transportation costs without increase in funding*
- *Low UPP*
- *Flat revenues, including COLA do not equal the increases in expenditures including but not limited to STRS, PERS, Step/Column & Health Benefits for active and retired employees*
- *Declining enrollment – Savings from reduction in staff do not equal the loss in revenue*
- *Aging buildings & Equipment*
- *Continued deficit spending*
- *October 5, 2017 Board approved resolution for layoff's, program and other reductions totaling over 1.2 million*

Notes from our County Office:

Despite increased revenues, escalating fixed expenditures are increasingly difficult to manage and, accordingly, may ultimately threaten fiscal solvency for many districts:

- It is unlikely that the annual COLA on the LCFF will be sufficient to fund the annual cost increases associated with step and column and the escalating retirement system rates at most districts. For these districts, any additional ongoing increases to the salary schedule are highly problematic in maintaining a balanced budget.

- Many districts adopted a practice of multiyear agreements during the implementation phase of the LCFF. However, continuing this practice now that revenue growth will slow to COLA alone could lead to a rapid deterioration of fiscal solvency and is strongly discouraged.

Numerous other risk factors on the horizon affect the negotiating environment and the affordability of collective bargaining agreements:

- The impact to health care costs resulting from the elimination of the individual mandate under the Affordable Care Act
- Ongoing increases in the state minimum wage
- The increasing risk of an economic downturn as the expansion cycle exceeds all previous cycles
- Impacts associated with the recently enacted AB 119 regarding union access to employees
- Scheduled Supreme Court arguments in the Janus case at the end of February 2018

Regardless of the economic environment, districts always must be prepared to respond to employee requests for staff compensation and benefit increases. Nonetheless,fiscal solvency is paramount in negotiations and, if it is to be sustained, demands reasonable and accurate revenue and expenditure projections. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge. It is inevitable that cost reductions will be required for many districts in the budget year and/or the out years of the multiyear financial projection period.