



Alpine County Unified School District

Management Review

February 26, 2007

Joel D. Montero
Chief Executive Officer



CSIS California School Information Services

February 26, 2007

Dr. James W. Parsons, Superintendent
Alpine County Unified School District
43 Hawkside Drive
Markleeville, CA 96120

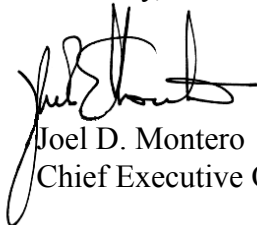
Dear Dr. Parsons:

In November 2006, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement with the Alpine County Unified School District for a management review based on certain questions developed by the 2006 Alpine County Grand Jury. Specifically, the agreement asked FCMAT to perform the following:

1. Provide external and independent analysis and verification of six issues noted by the Alpine County Grand Jury in a letter to the District dated October 15, 2006, for fiscal years 2001-02 through 2005-06:
 - a. Has the district's fund balance been shrinking; and if so, identify trends which lead to annual deficit spending.
 - b. How have fluctuations in student attendance impacted general fund revenues and expenditures?
 - c. Document measures taken by the district to conserve available resources.
 - d. Identify if the district purchased buildings, provided free day care, and/or provided raises and bonuses to staff; and if so, identify the revenue source used to support the expenditures. Identify the fiscal impact of these expenditures and dates of board approval.
 - e. Verify the basis and process used to determine which district positions would be eliminated during reductions to existing staff levels, and dates of board approval.
 - f. Validate the district's long-term approach to maintaining fiscal solvency.

FCMAT visited the district January 9 and 10, 2007. This report is the result of that effort. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of your district.

Sincerely,



Joel D. Montero
Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

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Foreword

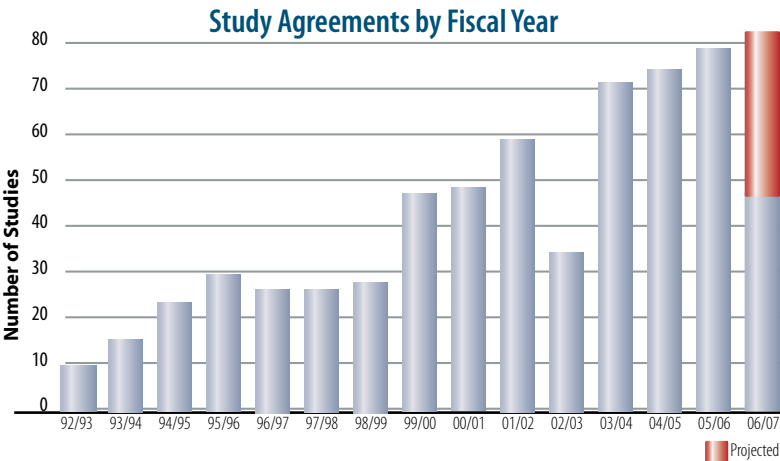
FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans

Since 1992, FCMAT has been engaged to perform more than 600 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Total Number of Studies	628
Total Number of Districts in CA.....	982
● Management Assistance.....	594 (94.59%)
● Fiscal Crisis/Emergency	34 (5.41%)
Note: Some districts had multiple studies.	
● Districts (7) that have received emergency loans from the state.	
(Rev. 2/7/07)	



Introduction

Background

Located south of Lake Tahoe in the community of Markleeville, the Alpine County Unified School District has an enrollment of more than 130 students.

On November 20, 2006 the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the district to conduct a management assistance review based on certain questions developed by the 2006 Alpine County Grand Jury. The study agreement between FCMAT and the district specifies that FCMAT conduct the following scope of work:

1. Provide external and independent analysis and verification of six issues noted by the Alpine County Grand Jury in a letter to the district dated October 15, 2006, for fiscal years 2001-02 through 2005-06:
 - a. Has the District's fund balance been shrinking; and if so, identify trends which lead to annual deficit spending.
 - b. How have fluctuations in student attendance impacted general fund revenues and expenditures?
 - c. Document measures taken by the District to conserve available resources.
 - d. Identify if the District purchased buildings, provided free day care, and/or provided raises and bonuses to staff; and if so, identify the revenue source used to support the expenditures. Identify the fiscal impact of these expenditures and dates of board approval.
 - e. Verify the basis and process used to determine which District positions would be eliminated during reductions to existing staff levels, and dates of board approval.
 - f. Validate the Districts long term approach to maintaining fiscal solvency.

On January 8-9, 2007 a member of the FCMAT staff visited the district to collect documents and conduct interviews. The extensive list of documents requested is included in the appendix of this report.

Unlike traditional FCMAT Management Assistance reports, which include findings, recommendations and conclusions, the independent and external validation of the six items included in this FCMAT report is confined to the recognition of information documented and confirmed in the independent audit reports, financial information posted on the Web site of the California Department of Education (CDE), and district board approved financial reports and board minutes.

Study Team

The study team was composed of the following members:

Barbara Dean
FCMAT Deputy Administrative Officer
Bakersfield, CA

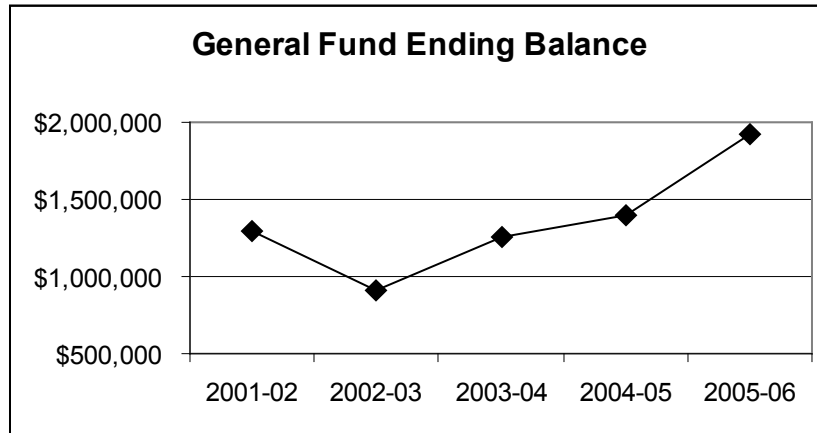
Leonel Martínez,
FCMAT Public Information Specialist
Bakersfield, CA

Findings

1. Has the district’s fund balance been shrinking; and if so, identify trends which lead to annual deficit spending.

Fund Balance

A. The district’s general fund annual ending balance was not shrinking over the five-year period reviewed by FCMAT and has steadily increased since 2002-03. The changing pattern of an ending balance, whether increasing or decreasing, is often viewed as an indicator of fiscal health.



In this report, deficit spending refers to the net difference between revenues, expenditures, and other financing sources and uses that impact fund balance. Annual general fund increases and decreases to fund balance are identified in the following table:

	2001-02	2002-03	2003-04	2004-05	2005-06
Beginning Balance	\$1,306,295	\$1,295,183	\$910,465	\$1,251,658	\$1,391,090
Ending balance	\$1,295,183	\$910,465	\$1,251,658	\$1,391,090	\$1,919,320
Net change from prior yr	-\$11,112	-\$384,718	\$341,193	\$139,432	\$528,230

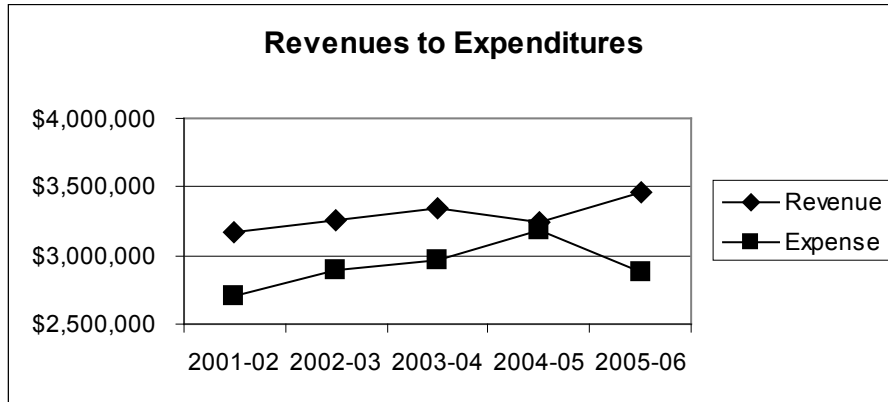
Source: Annual Independent Audits

Revenues and Expenditures

B. The district experienced fluctuations in revenues and expenditures due to changes in state funding for average daily attendance (ADA), variable revenue sources such as impact aid and forest reserves, and in expenditure categories for salaries and benefits. In 2004-05, expenditures for services and other operating expenditures were \$256,515 higher than in the previous year. The use of the term “combined” in this report represents the total of general fund unrestricted and restricted dollars. The following table identifies the year-end totals for revenue and expenditure categories in the general fund:

	2001-02	2002-03	2003-04	2004-05	2005-06
	Combined	Combined	Combined	Combined	Combined
Revenues					
Rev Limit	1,726,843	1,706,772	1,667,232	1,781,100	1,743,507
Federal	633,020	807,614	1,014,813	780,835	840,446
State	598,282	552,848	447,073	493,020	503,722
Local	218,023	193,656	213,037	193,486	378,422
Total	3,176,168	3,260,890	3,342,155	3,248,441	3,466,097
Expenditures					
Cert Sal	1,019,574	1,124,808	1,209,923	1,137,213	1,107,978
Class Sal	475,436	482,295	536,418	528,585	527,572
Benefits	415,006	517,692	528,867	542,043	535,954
Books	161,136	194,206	138,301	120,470	161,642
Services/ contracts	464,834	500,981	493,864	750,379	522,751
Cap Outlay	170,514	80,037	55,689	104,217	19,850
Total	2,706,500	2,900,019	2,963,062	3,182,907	2,875,747
Net +/-	469,668	360,871	379,093	65,534	590,350
Sources\Uses					
TF In				121,522	
TF Out	480,780	745,589	37,900	47,624	62,120
Sources					
Uses					
Contributions					
Total	-480,780	-745,589	-37,900	73,898	-62,120
Overall Net Change	-11,112	-384,718	341,193	139,432	528,230

Operating revenues increased annually for the first three years, decreased in 2004-05 and increased in 2005-06. Operating expenditures increased over the four first years, then decreased in 2005-06. The gap between operational revenues and expenditures narrowed significantly in 2004-05.



Transfers In and Out

C. Interfund transfers to and from the general fund also affect fund balance. Overall transfer amounts are shown in the following table, followed by a detail listing of annual transfers.

General fund	2001-02	2002-03	2003-04	2004-05	2005-06
Transfers In				\$121,522	
Transfers out	\$480,780	\$745,589	\$37,900	\$47,624	\$62,120

In 2001-02, the general fund completed transfers out of \$480,780 including \$6,900 to deferred maintenance to match the state allocation, \$23,880 to the cafeteria fund for operating expenditures, and \$450,000 to the special reserve for capital projects fund for the purchase of land.

In 2002-03, the general fund completed transfers out of \$745,589 including \$7,900 to deferred maintenance to match the state allocation, \$33,880 to the cafeteria fund for operating expenditures, and amounts of \$420,000 and \$83,809 to the special reserve for economic uncertainties/forest reserve contingency. In accordance with EC 42600, a transfer of \$200,000 was made to the self-insurance fund.

In 2003-04, the general fund completed transfers out of \$37,900 including \$7,900 to deferred maintenance to match the state allocation and \$30,000 to the cafeteria fund for operating expenditures.

In 2004-05, the general fund completed transfers out of \$47,624 including \$7,900 to deferred maintenance to match the state allocation and \$39,724 to the cafeteria fund for operating expenditures. Transfers were also completed from the special reserve for economic uncertainties/forest reserve contingency of \$697,164 including \$210,000 to the self-insurance fund to increase the fund balance to the required reserve, \$250,428 to deferred maintenance for future projects, and \$236,736 to the pupil transportation

fund for future vehicle and bus purchases. A transfer of \$121,522 was completed from the special reserve for capital projects fund to the general fund for the purchase of the portable building. The overall total of 2004-05 transfers was \$866,310.

In 2005-06, the general fund completed transfers out of \$62,120 including \$7,900 to deferred maintenance to match the state allocation and \$54,220 to the cafeteria fund for operating expenditures.

Loan

D. The loan of \$700,000 to the Alpine County Office of Education in 2003-04 to purchase property to be used to operate the Alpine Early Learning Center was recorded as a notes receivable in the financial statements for principal and interest payments over a 15-year period.

2. How have fluctuations in student attendance impacted general fund revenues and expenditures?

Declining enrollment

A. Fluctuations in student attendance contributed to shortfalls in available revenues and budget committee and board actions to reduce expenditures. The district experienced declining enrollment over the five-year period reviewed by FCMAT, with the exception of an increase of five students between 2002-03 and 2003-04. Because of its remote location and rural environment, the gain or loss of a single family can cause a loss of revenues without affecting staffing levels. The following table shows the number of students at each grade level for the second attendance reporting period (P2) as recorded in the districts annual independent audit. CBEDS information noted at the bottom of the table identifies the number of students in attendance on CBEDS day each October.

	2001-02	2002-03	2003-04	2004-05	2005-06
Kindergarten	9	14	14	12	16
First - Third	40	36	39	35	37
Fourth - Sixth	48	37	36	39	35
Seventh - Eighth	36	25	25	26	17
Community Day	2	2	1	1	2
Special Ed NPS	1	1	3		
Subtotal Elementary	136	115	118	113	107
Ninth - Twelfth	13	13	16	13	11
Community Day	4	2	1	2	2
Subtotal Secondary	17	15	17	15	13
Total P-2	153	130	135	128	120
October CBEDS	160	141	146	139	131

The district is funded for student attendance through a combination of revenue limit per ADA and necessary small school funding. Using 2005-06 as an example, P-2 revenue was earned in the following categories. Bear Valley Elementary, Bear Valley High, and Woodfords High qualified for funding on a necessary small school formula and were not affected by a change in their ADA:

100.70 revenue limit ADA @ 5,634.14 ea	\$567,358
Necessary small school allowance	**\$950,569
Beginning teacher salary incentive	\$4,645
Revenue limit deficit	-\$13,581
Unemployment insurance add-on	\$11,453
PERS adjustment	-\$16,386
Total revenue limit funds	\$1,504,058

*Source: CDE Data Quest, does not include prior year adjustments

**Bear Valley Elementary \$121,833; Bear Valley High \$411,953; Woodfords High \$414,680

For purposes of providing clarity, changes at Diamond Valley Elementary, the school site funded on a per ADA basis, are shown over the five-year period. The final row of the first table shows additional dollars that would have been received by the district if ADA had remained constant at the 2001-02 funded ADA level over the five-year period.

	2001-02	2002-03	2003-04	2004-05	2005-06
RL ADA	119.17	118.04	104.89	102.73	101.40
\$ per ADA	\$5,122.42	\$5,215.42	\$5,303.42	\$5,423.13	\$5,634.14
Base Revenue	\$610,439	\$615,628	\$556,276	\$557,118	\$571,302
Difference		\$5,893.42	\$75,732.84	\$89,156.26	\$100,118.67

Source: District unaudited actuals RL summary, prior to deficit calculations

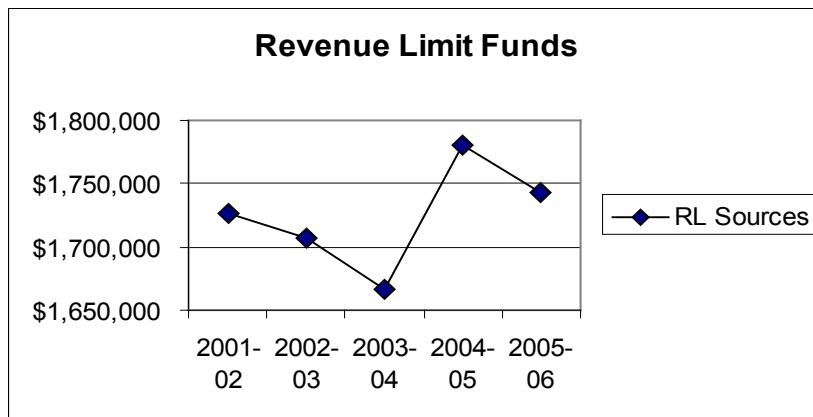
Impact of state budget variables

B. Over the five-year period reviewed by FCMAT, the district’s declining enrollment and fluctuations in the states funding variables caused revenue limit sources to vary from a high of \$1,781,001 in 2004-05 to a low of \$1,667,232 in 2003-04. Quantifying the impact of enrollment fluctuations in terms of student ADA alone, therefore, is insufficient to validate the changes in funding. The following table identifies the changes in state funding variables:

	2001-02	2002-03	2003-04	2004-05	2005-06
District P2 ADA	153	130	135	128	120
State Budget Factors					
Statutory COLA	3.87 %	1.66%	1.86%	2.41%	4.23%
Deficit			3.002%	2.143%	.0892%
Funded COLA	3.87%	2.00%	-1.20%	2.41%	4.23%

Source: School Services of California, for an average district

The following table shows the fluctuation in revenue limit sources over the five-year period.



3. Document measures taken by the district to conserve available resources.

A. During the five-year period reviewed by FCMAT, several actions were approved by the board, including calling for budget committee meetings to discuss expenditure reductions, setting board goals to maintain fiscal solvency, and transferring available funds to and from the economic uncertainties/forest reserve fund.

2001-02

- a. November 8, 2001 – Approval of investment of available cash.
- b. March 2-3, 2002 – Discussion of board goals.
- c. March 19, 2002 – Approval to call budget committee meeting.
- d. May 9, 2002 – Approval to call special meeting on self-insurance fund.

2002-03

- e. November 14, 2002 – Approval to call budget committee meeting.
- f. February 13, 2003 – Approval to call budget committee meeting.
- g. April 26-27, 2003 – Discussion of board goals.
- h. May 8, 2003 – Approval to transfer funds to economic uncertainties fund and the self-insurance fund.

2003-04

- i. September 11, 2003 – Approval to transfer funds (COE loan).
- j. December 11, 2003 – Approval to reduce board stipends.
- k. March 11, 2004 – Approval to use contingency funds.
- l. April 3-4, 2004 – Discussion of board goals.

2004-05

- m. December 9, 2004 – Approval to transfer unused Woodfords High addition funds to special reserve capital outlay fund.
- n. March 10, 2005 – Approval to transfer funds from the economic uncertainties fund to the self insurance, transportation equipment/replacement, and deferred maintenance funds.
- o. April 9-10, 2005 – Discussion of board goals and call for four budget workshops.

2005-06

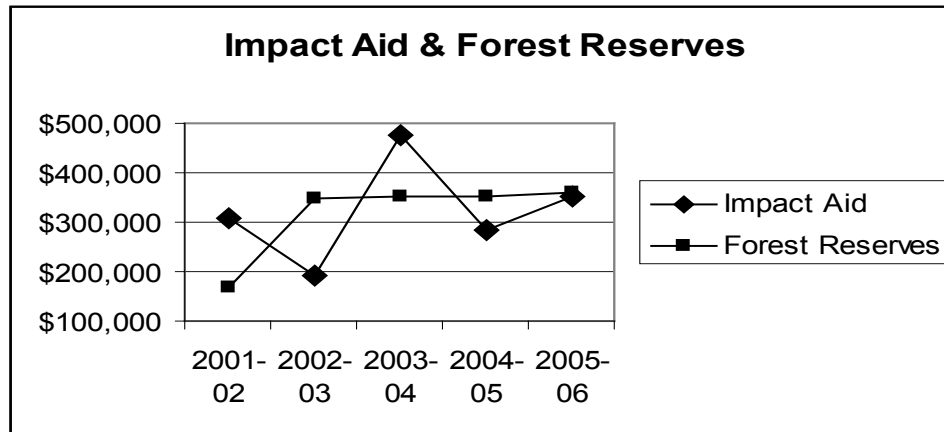
- p. February 9, 2006 – Report on National Forest Counties and Schools Coalition advocacy efforts to support reauthorization of forest reserve funding.
- q. April 13, 2006 – Further discussion on forest reserve advocacy efforts.
- r. May 5-7, 2005 – Discussion of board goals.

B. Forest Reserve and Basic Aid revenues

In addition to traditional LEA revenue sources such as revenue limit funding per ADA, local taxes, federal and state grants and entitlements, and local revenues, Alpine Unified also receives federal forest reserve revenues and impact aid funding. Unless Congress or the California legislature restores funding or provides affected districts with bridge loans, the district's general fund budget will receive predetermined forest reserve revenues of \$350,000 in 2006-07 and 2007-08. Beginning in 2008-09, the district funding will be based on actual forest cutting revenues, which are expected to drop to \$100,000. The federal impact aid basic support payments help local school districts that educate federally connected children. These may be the children of members of the uniformed services, children who reside on Indian lands, children who reside on federal property or in federally subsidized low-rent housing, and children whose parents work on federal property. The following tables depict the percentage of general fund revenues represented by these two sources as well as the fluctuations in these two revenue streams over the five-year period.

	2001-02	2002-03	2003-04	2004-05	2005-06
Impact Aid	\$308,321	\$191,085	\$476,470	\$284,793	\$350,514
Forest Reserves*	\$169,612	\$346,979	\$352,489	\$352,104	\$358,701
Total	\$477,933	\$538,064	\$828,959	\$636,897	\$709,215
% of Revenues	15.05%	16.50%	24.80%	18.90%	20.46%

Source: unaudited actuals reports, *allocated by district one year in arrears of receipt by county office



C. Special Reserve for non-capital outlay fund

The variation in funding levels from year to year resulted in the district's conservative use of these funds for ongoing purposes. To plan for the future loss of forest reserve funds the district board approved transfers to a special reserve fund. As of June 30, 2006 the special reserve for noncapital projects/forest reserve contingency had a balance of \$487,267.

Spec Reserve	2001-02	2002-03	2003-04	2004-05	2005-06
Beginning Balance	\$594,202	\$617,747	\$1,136,835	\$1,154,633	\$471,388
Interest earnings	\$23,545	\$15,279	\$17,798	\$13,919	\$15,879
Transfers In		\$503,809			
Transfers Out				\$697,164	
Ending balance	\$617,747	\$1,136,835	\$1,154,633	\$471,388	\$487,267

D. Memorandums of Understanding

The district entered into the following MOU agreements:

- a. South Lake Tahoe Women's Center – January 2002, for the district to provide referral information about Women's Center Services to victims of sexual assault.
- b. County of Alpine – June 2004, for the county to provide mental health services identified in student Individualized Education Plans (IEP).
- c. County of Alpine – June 2004, for the county to provide behavioral health and special education services for the district.
- d. County of Alpine – October 2004 for the county to provide a school nurse services for the district.
- e. Alpine County Unified School District – December 2005, for the district to provide an after school program for county residents, including home/school

connections to families, recreational, cultural, and academics based programs that integrate family enrichment and child abuse prevention services to parents and children.

f. Bear Valley Tennis Club – May 2006, amended and restated agreement for a joint use agreement of the Bear Valley Tennis facility for use by the students and faculty of Bear Valley School, members of the community, and the general public.

E. Lease agreement for Alpine Children’s Center – November 2002, for the district to provide the Alpine Children’s Center the use of land in the size, to the extent, and in the location designated by the children’s center; operated at no cost to the district.

F. The district shares the cost of certain positions at the district level with the county office on a prorated basis charged to the budgets of each agency through the payroll system. These positions include the Business Manager, Business Office Clerk, and Operations and Transportation Lead.

4. Identify if the district purchased buildings, provided free day care, and/or provided raises and bonuses to staff; and if so, identify the revenue source used to support the expenditures. Identify the fiscal impact of these expenditures and dates of board approval.

Board discussion and actions:

A. Acquisition of land and/or buildings

2001-02

a. March 2-3, 2002 – Approval of board goals, including “to acquire land and plan facilities for community day schools, early childhood education, and other school programs.”

b. May 9, 2002 – Approval to certify that all feasible efforts had been made to locate the Alpine County primary and secondary community day schools in facilities that conform to state-required structural safety standards, and that no satisfactory alternative facilities were available for either district community day schools necessitating the placement of both community day schools on the Diamond Valley School site for the 2002-03 school year. Discussion that some progress was being made on the acquisition of land or relocation of the schools.

c. June 27, 2002 – Resolution D01-02-11 to transfer funds from the general fund to the special reserve capital outlay fund for future facilities.

2002-03

d. December 12, 2002 – Approval of consideration of acquiring 17.32 acres along the south boundary of the Diamond Valley school site and negotiations with the South Tahoe Public Utility District.

e. April 26-27, 2003 - Approval of board goals, including “to acquire land and plan facilities for community day schools, early childhood education, and other school programs.”

2003-04

f. August 14, 2003 – Resolution D02-03-03 to authorize loan of cash as investment to Alpine County Superintendent of Schools up to \$700,000 at 5% interest for 15 years.

g. September 11, 2003 – Resolution D03-04-06 to transfer funds from the special reserve for capital outlay to the County Department of Education’s general fund.

h. February 12, 2004 – Approval for a new portable building to accommodate the need for the Woodfords High School expansion at an estimated cost of \$70,000.

i. March 11, 2004 – Approval of additional estimated costs for the addition to the Woodfords High School building for a total cost of \$110,000.

j. December 9, 2004 – Approval to return the unused portion of the Woodfords High School addition funds to the special reserve for capital projects.

B. Free Day Care

The district does not provide free day care for children. As stated in board minutes, on November 13, 2003 a presentation by a Bear Valley School teacher expressed concern about the number of children ages 0-5 in the community who did not have access to preschool or day care. The Superintendent indicated that he believed that the First Five Commission would be working with the Board of Supervisors to help provide assistance in this area.

C. Raises and bonuses to staff – FCMAT received an AB 1200 disclosure identifying the fiscal impact of a tentative agreement with the certificated staff dated September 8, 2005, which noted a total cost increase of \$30,364 that would be supported by a onetime use of special reserve funds. FCMAT did not receive any additional AB 1200 disclosures that could be used to determine the cost impact of negotiated agreements. Over the five-year period salary and benefit increases were funded from the general fund.

a. May 30, 2002 – Approval of agreement with ACUSD classified staff.

October 10, 2002 – Approval of addition to schedule C of Alpine County School Employees Association for \$25.00 per hour for training Woodfords teachers in the EAST program.

b. June 26, 2003 – Approval of agreement with the classified staff providing a \$2,000 bonus to every classified employee in the district.

c. June 26, 2003 – Approval of agreement with the certificated staff providing a \$2,000 bonus to all certificated staff and administration.

d. December 11, 2003 – Approval of agreement with classified staff for a retroactive two percent increase for all employees including management and confidential (July 2003- June 2004).

- e. December 11, 2003 – Approval of agreement with certificated staff to provide a retroactive two percent increase for all employees, including the Superintendent and certificated management, in addition to an increase in the master’s stipend.
- f. January 8, 2004 – Approval of a two percent retroactive salary increase for all management personnel, including the Superintendent.
- g. January 8, 2004 – Approval of an extra personal day for confidential classified employees.
- h. March 11, 2004 – Discussion that the 2004-05 individual certificated contract renewals would require contingency fund support; a position based on needed financial support until stability within the state budget was achieved.
- i. May 13, 2004 – Approval of ACUSD salary schedules for classified, classified management/pupil services, certificated, and certificated management/pupil services.
- j. October 14, 2004 – Discussion of burden of increased benefits payments on staff while negotiations were still underway. Approval of bonus of \$2,000 in 2004-05 for employees not represented by either the certificated or classified unions.
- k. November 11, 2004 – Approval of \$2,000 bonus to each classified employee of ACUSD. Discussion that neither the Superintendent nor CBO would accept the \$2,000 benefit bonus at that time.
- l. January 13, 2005 – Approval of 2004-06 classified employee contract.
- m. June 16, 2005 – Approval of additional \$2,000 bonus for classified staff in 2004-05. Approval of additional \$2,000 bonus to classified-confidential, classified management/pupil services, and certificated management/pupil services for 2004-05. Notation of Superintendent not accepting any of the bonuses.
- n. September 8, 2005 – Approval of \$2,000 bonus for certificated staff for 2004-05. Approval of 4% salary increase for certificated salary schedule in 2005-06. Approval of contract agreement with Alpine County Teachers Association.
- o. October 13, 2005 – Approval of 4% increase for regular classified, classified-confidential, classified management/pupil services, and certificated management/pupil services, excluding superintendent.
- p. December 8, 2005 – Approval of 2005-06 classified management/pupil services salary schedule longevity addition to match the regular classified salary schedule.
- q. February 9, 2006 – Approval of certificated retirement incentive program for \$15,500 for certificated employees who submit letter of retirement prior to March 1, 2006. Approval of increase of \$75.00 per month to the insurance benefit cap for the classified employee organization, classified management/confidential/supervisory employees, certificated employees, and certificated management employees effective January 1, 2006.
- r. May 6-7, 2006 – Re-approval of Certificated Retirement Incentive Program with a date change.
- s. June 22, 2006 – Approval of 3% increase effective July 1, 2006 for classified, classified-confidential, and certificated management/pupil services employees.

5. Verify the basis and process used to determine which District positions would be eliminated during reductions to existing staff levels, and dates of board approval.

Board actions and discussions

- a. March 11, 2004 – Approval of 2004-05 individual certificated contract renewals with dialogue on the need to use contingency funds to support personnel obligations in 2005-06. Approval of resolution D03-04-15 Notice of Termination of Employment Resulting from Lack of Funds, applied to Indian Education Grant Coordinator position which would be restored upon approval of funds by the State.
- b. October 14, 2004 – Approval of 2004-05 certificated “temporary” contracts.
- c. March 1, 2005 – Discussion of the impact of a budget deficit of \$264,000 and the loss of 31 students at Diamond Valley School over the past three resulting in a revenue loss of \$174,000 at the current revenue rate. Approval of resolution D04-05-09 Intention to Dismiss Certificated Employees and resolution D04-05-10 to Release an Administrator.
- d. May 12, 2005 – Approval and adoption of the decision of the Administrative Law Judge in OAH Case number N-2004030131 (Reduction in Certificated Staff). Approval of resolution D04-05-17 and authorization to send notice of dismissal to effected employees by May 15, 2005.
- e. March 2, 2006 – Discussion of researching grants to fund the Indian Education position and communications with the county librarian about picking up the library media coordinator position if funding for that position was not forthcoming from grants. Approval of resolution D05-06-11 Intention to Dismiss Certificated Employees. Approval of 2006-07 individual certificated contract renewals.
- f. May 11, 2006 - Approval and adoption of the decision of the Administrative Law Judge in OAR Case number N-2006030748. Approval of resolution D05-06-15 Intention to Dismiss Certificated Employees.

6. Validate the district’s long-term approach to maintaining fiscal solvency.

The district’s first interim report dated January 11, 2007 is based on the following assumptions:

- Lottery remains at \$125 unrestricted and \$28 restricted per ADA
- All carryover dollars will be expended in the current year
- Budgeted salaries and benefits are adjusted for actual salary schedule placement and new hires
- Projected 3.7% state COLA in 2007-08 and 2.8% COLA in 2008-09
- No state deficit factor in 2007-08 and 2008-09
- Forest reserves of \$250,00 in 2007-08 go away in 2008-09
- Utilities and other operating costs increased by inflation
- CBEDS and ADA assumed stable at 130 and 119, in fiscal projections

From FCMAT's perspective, the assumptions included by the district are consistent with assumptions developed by other school districts and county offices. The most significant factor affecting the district is the anticipated loss of forest reserve funds. The following table shows the percentage of forest reserves as part of total revenues over the five-year period included in this report:

	2001-02	2002-03	2003-04	2004-05	2005-06
Forest reserves	169,612	346,979	352,489	352,104	358,701
% of revenues	5.34%	10.64%	10.55%	10.84%	10.35%

The balance in the special reserve for economic uncertainty/forest reserves fund as of June 30, 2006 was \$487,267. The district's first interim report shows that deficit spending is not anticipated until the 2008-09 fiscal year, with an projected amount of -\$161,982 if staffing levels and operating budgets are not reduced. Certificated salary negotiations have not yet been settled for 2006-07 nor are they reflected in the current year budget or any projections.

The district has set aside funds in the special reserve for capital projects for facility needs in the future including \$200,000 for expansion of the Diamond Valley School site, or to address the water problems existing under the schools foundation. The balance in this fund at June 30, 2006 was \$1,116,504.

The district has set aside funds in the self-insurance fund for employee health care expenses. The balance in this fund at June 30, 2006 was \$538,885.

In 2005-06 the district approved an early retirement incentive to qualifying certificated employees who submitted a letter of resignation prior to March 1, 2006. One employee accepted the incentive.

The district budget committee is called to order when a need exists to consider budget reductions. Committee members represent classified employees, certificated employees, parents, plus the CBO, Superintendent, and one or two board members. Recommendations from the committee are typically submitted to the board for consideration prior to the annual spring budget workshop. During the board workshop, each line of each fund budget is reviewed.

The district board and administration have prepared the district to face the impact of declining enrollment, the fluctuation of impact aid funding, and the potential loss of forest reserve funds. Quick reactions will be necessary if all of these factors happen simultaneously. On the positive side, at some time in the future the district may become funded as a basic aid district. As a basic aid district the fundamental revenue stream should stabilize. The fiscal consultant assisting the district at the time of FCMAT's on-site review was in contact with School Services of California to clarify the potential for basic aid status.

It does appear that the district has processes in place to prioritize the use of district funds if and when the time comes to implement budget reductions or pursue revenue enhancements.

Appendices

- A. FCMAT document request list
- B. Study Agreement



Date: November 27, 2006

To: Dr. James Parsons, Superintendent
Janis Doyal, Business Manager
Alpine County Unified School District

From: Fiscal Crisis & Management Assistance Team

Subject: Documents required for FCMAT study
(All documents should be ready and available at the orientation meeting scheduled for January 9, 2007)

FCMAT DOCUMENT CHECKLIST

FISCAL

- First Interim 2006-07 SACS Dat. file (Electronic SACS data file) email to Project Lead, Barbara Dean following December Board approval
- Financial system budget reports that correspond to amounts in 2006-07 First Interim SACS Dat file
- June adoption budget(s), SACS document, all funds, including narrative for Board presentation for fiscal years 2001-02 through 2005-06 (June if single cycle budget district, September if dual adoption budget cycle budget district)
- First, Second and Third (if required) Interim reports, SACS documents, all funds, including narrative for Board Presentation for fiscal years 2001-02 through 2005-06
- Unaudited actuals SACS forms, including all schedules, for fiscal years 2001-02 through 2005-06
- Revenue limit worksheets, including all schedules, for fiscal years 2001-02 through 2005-06
- Independent audit reports for 2001-02 through 2005-06
- Long term debt schedule
- Any district 2006-07 multi year projections outside of the SACS multi year format (Excel for example)
- Any outside review or analysis or recommendations relative to the

- district's financial condition
- Information on supplemental revenue sources, such as forest reserves, impact aid, parcel taxes, foundations, redevelopment funds, General Obligation Bonds etc. for fiscal years 2001-02 through 2006-07
- 2005-06 and 2006-07 projected general fund cash flow statements

COLLECTIVE BARGAINING

- Current salary proposals, both district and bargaining unit(s)
- AB1200 impact of most recent salary settlement disclosure
- Salary schedules & Scatter gram, all employee groups
- Collective Bargaining Agreements, all employee groups
- Position Control spreadsheet, district wide summary by fund, identifying FTE, and formatted by unrestricted and restricted totals, if available
- District organizational chart, Departmental organizational charts

ENROLLMENT & ADA

- Historical & current enrollment, by grade level
- Enrollment projections for next five years
- Current Fiscal Year CBEDS, by grade level
- Staffing allocation formulas by fund, resource and grade level, if applicable, classified and certificated
- Data regarding inter & intra-district transfers
- Data regarding residential housing starts
- Current Student Generation Factor (SGF), if applicable

CHARTER SCHOOLS

- Historical & current enrollment, by grade level
- Enrollment projections for next five years (if available)
- Current Fiscal Year CBEDS, by grade level
- Current and Prior Year Audit Reports

RISK MANAGMENT

- Actuarial Report for Health & Welfare Benefits, if required by GASB
- Actuarial Report for Workers Compensation, if required by GASB
- History of Health & Welfare Rates- Prior 6 years
- Copy of District Plan to address Retiree Benefits, if applicable
- Copy of Golden Handshake provisions including cost analysis, if applicable

FACILITIES

- Copy of Ballot Language for General Obligation Bonds
- Copy of COPs or other financing mechanisms for facilities funding
- Annual Developer Fee Justification Report
- Developer Fee Facilities Needs Analysis Report
- Facility Master Plan
- Facility Cash Flow – all Capital Projects Funds
- List of Surplus Property

**BOARD/ADMINISTRATIVE
ACTIONS**

- Copies of Board minutes for approval of layoff notices or elimination of positions for fiscal years 2001-02 through 2005-06
- Copies of Board minutes for approval of use of funds for purchase of buildings, approval of free day care, or collective bargaining settlements for fiscal years 2001-02 through 2005-06
- Copies of Board/Administrative actions to conserve available resources including set aside of forest reserve revenues, if applicable, for fiscal years 2001-02 through 2005-06.
- Developer Fee Facilities Needs Analysis Report

All documents should be ready and available at the orientation meeting scheduled for January 9, 2007 at 8:30 a.m., with the exception of the First Interim Sacs file which is to be emailed to Barbara Dean at bdean@fcmat.org following Board approval.

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
November 28, 2006

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Alpine County Unified School District, hereinafter referred to as the District, mutually agree as follows:

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Alpine County Unified School District operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The scope and objectives of this study are to:

- 1) Provide external and independent analysis and verification of six issues noted by the Alpine County Grand Jury in a letter to the District dated October 15, 2006, for fiscal years 2001-02 through 2005-06:
 - a. Has the District's fund balance been shrinking; and if so, identify trends which lead to annual deficit spending.
 - b. How have fluctuations in student attendance impacted general fund revenues and expenditures?
 - c. Document measures taken by the District to conserve available resources.
 - d. Identify if the District purchased buildings, provided free day care, and/or provided raises and bonuses to staff; and if so, identify the revenue source used to support the expenditures. Identify the fiscal impact of these expenditures and dates of board approval.
 - e. Verify the basis and process used to determine which positions would be eliminated during reductions to existing staff levels, and dates of board approval.
 - f. Validate the districts long term approach to maintaining fiscal solvency.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District

office and at school sites if necessary.

- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Barbara Dean, FCMAT Deputy Executive Officer
- B. FCMAT Consultant

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the elements noted in section 2 A, the total cost of the study will not exceed \$4,500. The District will be invoiced at actual costs, with 50% of the cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District
- C. Any change to the scope identified in section 2 A may affect the of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):

- 1) A map of the local area
- 2) Existing policies, regulations and prior reports addressing the study request
- 3) Current organizational charts
- 4) Current and four (4) prior year's audit reports
- 5) Any documents requested on a supplemental listing

C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with District pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

Orientation:	January 9, 2007
Staff Interviews:	January 9-10, 2007
Exit Interviews:	January 10, 2007
Preliminary Report Submitted:	February 21, 2007
Final Report Submitted:	To be determined
Board Presentation:	To be determined

7. CONTACT PERSON

Please print name of contact person: Dr. James Parsons, Superintendent

Telephone 530-694-2230 FAX 530-694-2379

Internet Address parsonsjw@aol.com

Dr. James W. Parsons, Superintendent Date
 Alpine County Unified School District

Barbara Dean, Deputy Administrative Officer Date
 Fiscal Crisis and Management Assistance Team

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.