November 30, 2010

Gary McHenry, Superintendent
Inglewood School District
401 S. Inglewood Avenue
Inglewood, CA 90301

Dear Superintendent McHenry:

The Fiscal Crisis and Management Assistance Team (FCMAT) has completed a multiyear financial projection in accordance with the study agreement between Inglewood School District and FCMAT dated August 17, 2010 and approved by the district governing board in September. The purpose of this letter is to confirm the team's findings and recommendations.

Subsequent to the initial study agreement, the district's budget for 2010-11 was disapproved by the Los Angeles County Office of Education (LACOE) on two separate occasions. Further, as FCMAT prepared to conduct fieldwork, the team learned that the district had entered a tentative agreement that requires all certificated staff members to take 10 furlough days with contingent language that reduced the number of days to four if the district received more than $2.1 million in Federal Education Jobs funding.

As a result, the initial scope of work was revised. The initial scope and objectives of this study was as follows:

Utilizing FCMAT's Budget Explorer Multiyear Financial Forecasting Software, prepare an MYFP using the district's 2010-11 adoption budget and multiyear financial projection as the baseline for conducting the analysis. The district is currently engaged in the collective bargaining process and is requesting FCMAT to include a proposal to implement 10 furlough days for all certificated staff in the MYFP. This component will include a detailed analysis of the fiscal impact and cost for the associated salary and benefit costs.

Prepare a management letter summarizing the district's financial solvency and include FCMAT's recommendations for revenue enhancements or expenditure reductions to sustain the district's financial solvency.

The amendment focused on the development of a multiyear projection utilizing FCMAT's Budget Explorer multiyear financial projection software to assess the district's fiscal solvency. The team has prepared a detailed projection using 2010-11 as the base year, including a cash flow projection to determine whether the district may become cash insolvent and require state intervention.

FCMAT conducted fieldwork on September 22, 2010 and conducted off-site fieldwork in October through November. To assess the district's financial condition, the team reviewed several source documents including enrollment reports, audited financial statements, budget assumptions, adopted budget files, financial system reports, unaudited actuals, detailed payroll records, human resource database files, special education SELPA AB602 funding documents, SELPA excess cost reports, nonpublic school placements, historical trends, and many other financial records and third party documentation. The team utilized all the pertinent records and documents to complete this analysis.

All revenue funding is verified; salary and benefit projections are based on actual payroll records for September, actual payroll records are compared with the district's budget and human resources position control records; restricted resources and expenditures are analyzed; other expenditures are compared with year-to-date records and trends year-over-year; long-term contracts and/or agreements are verified in the budget; and discrepancies are researched.

Study Team

The FCMAT study team was composed of the following members:

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Atascadero, CA

Debi Deal, CFE
FCMAT Fiscal Intervention Specialist
Los Angeles, California

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Kingsburg, California

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Chico, CA

Background

The Inglewood School District has experienced declining enrollment for several years. Coupled with a reduction in state funding over the last three years, this has placed the district in a difficult financial position. Inglewood Unified is similar to many districts throughout the state in that is has been unable to reduce expenditures commensurate with the decline in funding and enrollment.

The state fiscal crisis has prompted seven emergency sessions of the Legislature, and the eighth is scheduled to start December 6, 2010. Each session has resulted in deep mid-year budget reductions for local educational agencies. Districts that maintained large reserves and were proactive in managing budget assumptions were better able to navigate this budget crisis. However, districts that were insufficiently proactive or utilized flawed assumptions, experienced increased encroachment, and faced substantial declining enrollment were forced to implement significant reductions to remain fiscally solvent.

In conducting hundreds of studies over the years, FCMAT has developed a list of 11 predictors that indicate school agencies are in fiscal distress, and these are referenced in Assembly Bill 2756 and Education Code Sections 42127 and 42127.6. FCMAT has identified several of these conditions at Inglewood Unified including the following:

- *Inadequate Budget Development*
    - Failure to recognize year-to-year trends in declining enrollment and deficit spending
    - Flawed ADA projections
    - Failure to maintain reserve levels
    - Insufficient consideration of long-term bargaining agreement effects
    - Flawed multiyear projections

    - Inaccurate revenue and expenditures estimations

- *Limited Budget Monitoring*
    - Poor cash flow analysis and reconciliation
    - Bargaining agreements beyond state COLA

- *Poor Position Control*
    - No integration of position control with payroll

- *Ineffective Management Information Systems*
    - Limited access to timely personnel, payroll, and budget control data and reports

- *Inattention to Categorical Programs*
    - Escalating general fund encroachment
    - Lack of regular monitoring

- *Ineffective Communication*
    - Lack of interagency cooperation

- *Leadership Breakdown*
    - Governance crisis
    - Ineffective or no supervision

The following factors have been identified by the Los Angeles County Office of Education and confirmed by FCMAT:

- Inadequate reserve levels
- Projected negative general fund cash balance
- Flawed assumptions
    - Special education encroachment
    - Multiyear enrollment projections

FCMAT made several significant adjustments to the 2010-11 second adopted budget because of inaccurate budget assumptions primarily in special education and transportation. FCMAT also made major adjustments due to inaccurate budgeting practices that overstated income sources and understated expenditures. Because the district does not fully utilize position control, salaries and benefit categories were misrepresented or nonexistent.

There is a lack of direct oversight in the business office. Combined with an insufficient level of technical competence, this has created flawed budget assumptions, duplication of revenues and poor enrollment projections.

Of particular concern is the compounding encroachment in special education SELPA excess costs and nonpublic school (NPS) placements. The district's special education division has not reviewed NPS placements to ensure that invoicing is accurate. In addition, excess costs that totaled $7.3 million in the current year have increased by 8.5% over the prior year without any monitoring from district staff. The billings in this area have not been reviewed in more than a year. In the current year, the district is projected to have an encroachment of approximately $11 million for special education services alone, and this will increase to an estimated $12 million by the third fiscal year.

Transportation is another area with large encroachments to the unrestricted general fund. The district had planned to take responsibility for a substantial portion of special education transportation services that are provided by the county office, but was unable to hire an adequate number of certified bus drivers. FCMAT adjusted these services to reflect an additional $890,000 in costs.

Multiyear Projections - Assumptions

Multiyear financial projections are required by Assembly Bill 1200 and AB 2756 and are a part of the adoption budget and interim reporting process. AB 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight used to monitor the fiscal position of school districts and county offices. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI) and county offices of education and their ability to intervene during fiscal crises, including requesting assistance from FCMAT.

Financial planning is crucial for the district. Long-term financial planning will help the district strategically align its budget with its instructional goals and programs. The district needs to quickly recognize financial trends and incorporate them in the MYFP to avoid fiscal insolvency. Monitoring and analyzing year-over-year trends in key budget areas will help the district identify possible areas of concern and promptly make needed adjustments.

Any forecast of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment trends, cost-of-living adjustments, forecasts for utilities, supplies and equipment, and changing economic conditions at the state, federal and local levels. Therefore, the budget projection model should be evaluated as a trend based on certain criteria and assumptions instead of a prediction of exact numbers.

Local educational agencies throughout the state have been forced to update multiyear assumptions and projections several times during the 2009-10 and 2010-11 fiscal years as the state continues to experience severe revenue declines. Multiyear projections in a time of fiscal instability can become somewhat less reliable, especially in the subsequent fiscal years, because projected revenue information from the state frequently changes. However, the MYFP model still provides guidance with decisions that cover several fiscal years, and the district must continue to update and reassess the ramifications of state-imposed budget adjustments as well as cash deferrals.

To help protect local educational agencies from economic uncertainties, the state requires school districts with average daily attendance (ADA) of between 30,001 and 400,000 to maintain reserves of not less than 2%. Districts with ADAs of between 1,001 and 30,000 must normally maintain reserves for economic uncertainties of not less than 3%. However, the state has reduced this requirement for the current fiscal year, requiring the district to make progress in restoring the reserve requirement. The district's current reserve requirement is 3% for fiscal year 2011-12 and beyond. For the current fiscal year, the district could adjust the reserve requirement to 1.10%; however, this is not recommended.

AB 1200 Oversight

If at any time during the fiscal year a district is unable to meet its financial obligations for the current or two subsequent fiscal years or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the state superintendent of public instruction (SPI).

The county office is required to follow Education Code section 42127.6 while assisting a school district in this situation. Assistance may include assigning a fiscal expert or fiscal advisor to advise the district on financial issues, conducting a study of the district's financial and budgetary conditions and requiring the district to disclose all contracts and multiyear commitments. The MYFP's intent is to assist the county and the district in formulating a fiscal recovery plan to regain fiscal solvency and restore the required fund reserve levels.

Regular and frequent budget monitoring becomes critical in times of fiscal uncertainty. The district will need to ensure that multiyear financial projections and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current assumptions. This is particularly important since economic indicators will change rapidly as California continues to struggle to balance its budget. The district should be prepared to make mid-year budget adjustments in conjunction with those required to balance the existing budget in light of the state's fiscal crisis and the extraordinary budget session scheduled for next month.

FCMAT has updated the multiyear projections with the latest budget information including the approved 2010-11 state budget. The MYFP developed for this report indicates that the district *will not* be able to maintain its reserve requirements in either the current or subsequent two fiscal years and has a negative ending fund balance in all three fiscal years.

The district faces substantial fiscal challenges that will require the governing board and administration to make and implement difficult decisions immediately to avoid state receivership.

The assumptions included in FCMAT's MYFP include the following:

2010-11	
Funded Average Daily Attendance – Prior Year ADA due to declining enrollment	12,828.42
Revenue Limit Funding Before Deficit	$6,351.96
Revenue Limit Funding After Deficit of 17.963%	$5,210.96
Total Estimated Loss in Funding From Deficit	($15,015,504)
Step & Column increases - Certificated	1.2%
Step & Column increases - Classified	1.05%
Cost of Living Adjustment - Salary	0%
Health & Welfare Percentage Increase	12%
State Cost of Living Adjustment – Revenue Limit	-.39%
Unrestricted Lottery	$112.50
Restricted Lottery	$17.50
Consumer Price Index	1.2%
Interest Rate – Return on Investments	2.8%
Reserve Percentage	1.1%
Transfer to Adult Education Fund	$2,375,143
Transfer to Deferred Maintenance Fund	$0
Indirect Cost Rate	3.88%
Encroachment to support Special Education (includes Resources 3310 & 6500)	$10,955,859
Encroachment to support Transportation Home-to-School	$2,248,677
Other Encroachments (includes After School and On-Going Maintenance)	$3,469,082
One-Time Transfer – To Federal Education Jobs Fund	$2,629,580

2011-12	
Funded Average Daily Attendance – Prior Year ADA due to declining enrollment	12,334.66
Revenue Limit Funding Before Deficit	$6,351.96
Revenue Limit Funding After Deficit of 17.963%	$5,210.96
Total Estimated Loss in Funding From Deficit	($14,450,275)
Step & Column increases - Certificated	1.2%
Step & Column increases - Classified	1.05%
Cost of Living Adjustment - Salary	0%
Health & Welfare Percentage Increase	12%
State Cost of Living Adjustment – Revenue Limit	0%
Unrestricted Lottery	$111.00
Restricted Lottery	$17.50
Consumer Price Index	1.8%
Interest Rate – Return on Investments	3.4%
Reserve Percentage	3%
Transfer to Adult Education Fund	$2,375,143
Transfer to Deferred Maintenance Fund	$0
Indirect Cost Rate	3.88%
Encroachment to Special Education (includes Resources 3310 & 6500)	$11,025,421
Encroachment to Transportation Home-to-School	$2,330,109
Other Encroachments (includes After School and On-Going Maintenance)	$3,516,938
Special Education ARRA – Sweep costs back to unrestricted General Fund	$1,695,851
Title I ARRA – Sweep cost back to unrestricted General Fund	$1,294,179
Drug Free funding eliminated	$94,486
QEIA funding not identified in State budget	$658,288

2012-13	
Funded Average Daily Attendance – Prior Year ADA due to declining enrollment	12,033.70
Revenue Limit Funding Before Deficit	$6,475.96
Revenue Limit Funding After Deficit of 17.963%	$5,312.68
Total Estimated Loss in Funding From Deficit	($14,381,159)
Step & Column increases - Certificated	1.2%
Step & Column increases - Classified	1.05%
Cost of Living Adjustment - Salary	0%
Health & Welfare Percentage Increase	12%
State Cost of Living Adjustment – Revenue Limit	1.90%
Unrestricted Lottery	$110.00
Restricted Lottery	$17.50
Consumer Price Index	2.10%
Interest Rate – Return on Investments	3.70%
Reserve Percentage	3%
Transfer to Adult Education Fund	$2,375,143
Transfer to Deferred Maintenance Fund	$0
Indirect Cost Rate	3.88%
Encroachment to Special Education (includes Resources 3310 & 6500)	$12,000,211
Encroachment to Transportation Home-to-School	$2,408,635
Other Encroachments (includes After School and On-Going Maintenance)	$3,607,174
Title I ARRA – Sweep cost back to unrestricted General Fund	$1,352,357
Special Education ARRA – Sweep costs back to unrestricted General Fund	$1,741,657
Drug Free funding eliminated	$98,338
QEIA funding not identified in State budget	$1,260,276

Significant Adjustments

FCMAT made significant adjustments to the district's second adopted budget. The following table identifies these adjustments by category along with the financial impact:

Category	Dollar Amount/ Impact - Revenue	Dollar Amount/Impact - Expenditure	Issue
Average Daily Attendance 2011-12	($2,403,764)		FCMAT = 12,334.66 District = 12,795.95
Average Daily Attendance 2012-13	($4,049,591)		FCMAT = 12,033.70 District = 12,795.95
ROPC Funding – Overstated	($800,000)		Revenue was budgeted twice
Stabilization ARRA Funding – Revenue Overstated	($2,552,338)		District did not reduce allocation to carryover amount.
Federal Education Jobs Funding – Added	$2,629,580		New funding
Special Education Funding	($311,081)		Decrease in SELPA funding
Title I – ARRA Funding	$1,907,976		District understated revenue carryover
Transfer 22 CSR (Encroachment portion only) Teachers to Title I – ARRA		$1,901,280	District staff did not include this in the adopted budget.
Transfer 5 Teachers and 1 Substitute Teacher to QEIA Funding from unrestricted GF		$373,488	District to reduce class sizes further in QEIA
Transfer 12 Teachers to Federal Education Jobs Funding		$699,320	Teachers were paid as substitutes in September but added to the payroll permanent as of October 1, 2010
Transfer Six Furlough Days to Federal Education Jobs Funding		$1,930,260	Transfer unrestricted certificated, classified and benefits
Transfer 7 Categorically Funded Teachers to Unrestricted General Fund		$589,176	Redirect funding sources per district – previous CSR teachers
Revised Special Education Excess Cost Expense - Encroachment		$2,680,643	Increase in SELPA Excess cost
Revised Special Education Non-Public School Placement Costs - Encroachment		$1,257,335	To match with district NPS students totaling 78
Revised Special Education Home-to-School Transportation Services Cost Increase		$890,698	District planned to take back LACOE services but had difficulty hiring bus drivers. Adjusted to prior year amount.
Included one-time ARRA EETT grant	$163,880		District will be adding this grant at First Interim
The ELAP program has been discontinued. No current year revenue.	($145,515)		This program not longer exists. State funding has been moved to the EIA program beginning 2010-11. The district has $365,789 carryover from previous years to cover expenditures in 2011-12 and 2012-13.

Special Notations

- Eleven teachers and three classified personnel are on paid leave at an annual cost of approximately $969,000 per year. The district should carefully review the status of each employee on paid leave.
- FCMAT noted that two individuals receive health care benefits, but were not in the payroll or human resources system. The district should review the status of these employees.
- The number of EIA students reported for 2008-09 was 13,220. In 2009-10, the Economic Impact Aid population dropped to 11,008 or a 2,212 reduction overall. Declining enrollment was slightly less than 800, and the demographic of the district's students has not changed. The district should review the reported data and attempt to recover funding estimated at $440,000.

- Beginning in 2011-12, the district will need to move salaries and benefits from Drug Free Schools (which will no longer be funded after 2010-11). These totaled $94,486 in 2011-12 and $98,338 in 2012-13, and FCMAT has included these amounts on the encroachment schedule.
- The district has carryover of $327,507 from Medicare reimbursement funding and should utilize these funds for one-time purposes. In the current year, FCMAT estimates $90,000 in new revenue, which will match expenses in this resource.
- The After School Learning program requires various levels of matching funds as a condition to the receipt of funds of 33%. A maximum of 25% can be from the district's in-kind contributions. FCMAT assumes that the district is providing the in-kind requirement of 25% that meets this requirement. The balance of 8%, or $348,863, has been posted as a district contribution.
- The Quality Education Investment Act (QEIA) is funded one-time outside of Proposition 98 for the current fiscal year. A future funding source has not been identified. The district should develop an alternative plan for the potential loss of $1,065,000 beginning 2011-12. Because of the uncertainty of funding, FCMAT made contributions of $658,288 in 2011-12 and $1,260,276 in 2012-13 after utilizing all remaining carryover funds.

The following table shows the adjustments to special education over district projections at second adoption and includes resources 3310 and 6500.

Encroachment Differences between FCMAT and District Projections:	2010-11	2011-12	2012-13
FCMAT	$10,955,859	$12,721,272	$13,741,868
District	$ 6,542,779	$ 6,352,779	$ 6,052,779
Difference	$ 4,413,080	$ 6,368,493	$ 7,689,089

The following table shows all projected encroachments for all categories:

Encroachments	Resource Code	Historical Year 2009 - 10	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Unrestricted Resources					
Unrestricted	0000	($14,584,637.58)	($16,673,617.59)	($20,615,271.17)	($22,468,649.14)
Total Unrestricted		($14,584,637.58)	($16,673,617.59)	($20,615,271.17)	($22,468,649.14)
Restricted Resources					
Title I Sweep	3099	$0.00	$0.00	$1,294,178.54	$1,352,356.94
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly P	3310	$0.00	$1,235,347.00	$426,482.34	$471,074.03
Special Ed ARRA Sweep	3399	$0.00	$0.00	$1,695,851.42	$1,741,657.43
NCLB: Title IV, Part A, Drug Free Schools	3710	$0.00	$0.00	$94,485.62	$98,338.18
NCLB: Title II, Part A, Principal Training	4036	$16,076.54	$0.00	$0.00	$0.00
After-School Learning & Safe Neighborhood Partnerships	6010	$0.00	$348,863.00	$348,863.00	$348,863.00
Lottery: Instructional Materials	6300	$0.00	$0.00	$0.00	$0.00
Special Education	6500	$8,203,968.11	$9,720,512.01	$10,598,938.77	$11,529,136.73
Transportation: Home to School	7230	$753,089.71	$747,227.00	$782,915.18	$816,134.05
Transportation: Special Education (Severely Disabled/Orthopedically Impaired)	7240	$1,179,312.51	$1,501,450.00	$1,547,193.97	$1,592,501.19
Quality Educ Investment Act (QEIA)	7400	$0.00	$0.00	$658,287.55	$1,260,276.43
Ongoing & Major Maintenance Account (RMA: Education Code Section 17070.75)	8150	$4,432,190.71	$3,120,218.58	$3,168,074.78	$3,258,311.16
Total Restricted		$14,584,637.58	$16,673,617.59	$20,615,271.17	$22,468,649.14
Balance		$0.00	$0.00	$0.00	$0.00

FCMAT projected revenue and expenditures based on source documents including the California Department of Education website for revenue entitlements, enrollment reports, audited financial statements, budget assumptions, adopted budget files, financial system reports, unaudited actuals, detailed payroll records, human resource database files, special education SELPA AB602 funding documents, SELPA excess cost reports, nonpublic school placements, historical trends, and many other financial records and third-party documentation. The team utilized all the pertinent records and documents to complete this multiyear analysis.

Salary and benefit projections are based on actual payroll records for September, actual payroll records were also compared with the district's budget and human resources position control records; other expenditures were compared with year-to-date records and trends year-over-year; long-term contracts and/or agreements have been verified against district supplied documentation. The following is the result of those activities.

Inglewood USD – MYFP
Unrestricted Resource Summary
Utilizing a 1.10% Reserve Level

Unrestricted Summary 1.1% Reserve	Category	Object Code	Historical Year 2009 - 10	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues						
	Revenue Limit Sources	8010 - 8099	$64,547,514	$64,909,261	$62,356,166	$61,969,869
	Federal Revenues	8100 - 8299	$58,290	$60,000	$60,000	$60,000
	Other State Revenues	8300 - 8599	$13,328,063	$16,348,027	$16,370,308	$16,670,576
	Other Local Revenues	8600 - 8799	$996,594	$999,156	$1,001,876	$1,004,937
Total Revenues			$78,930,461	$82,316,444	$79,788,349	$79,705,381
Expenditures						
	Certificated Salaries	1000 - 1999	$38,540,925	$33,461,876	$35,499,173	$36,502,442
	Classified Salaries	2000 - 2999	$8,363,085	$9,668,782	$10,708,545	$10,979,550
	Employee Benefits	3000 - 3999	$17,241,445	$17,413,604	$20,195,212	$21,683,128
	Books and Supplies	4000 - 4999	$1,935,624	$1,927,439	$1,846,357	$1,844,601
	Services and Other Operating	5000 - 5999	$7,328,946	$7,403,707	$7,458,688	$7,546,076
	Capital Outlay	6000 - 6900	$149,341	$208,436	$208,436	$208,436
	Other Outgo	7000 - 7299	$853,074	$814,816	$814,816	$814,816
	Direct Support/Indirect Cost	7300 - 7399	($1,597,737)	($1,449,509)	($1,242,436)	($1,245,764)
	Debt Service	7430 - 7439	$0	$0	$0	$0
Total Expenditures			$72,814,703	$69,449,151	$75,488,793	$78,333,284
Excess (Deficiency) of Revenues Over Expenditures			$6,115,758	$12,867,293	$4,299,557	$1,372,097
Other Financing Sources\Uses						
	Interfund Transfers In	8900 - 8929	$0	$0	$0	$0
	Interfund Transfers Out	7600 - 7629	$0	$2,375,143	$2,375,143	$2,375,143
	Contributions	8980 - 8999	($14,584,638)	($16,673,618)	($20,615,271)	($22,468,649)
Total Other Financing Sources\Uses			($14,584,638)	($19,048,761)	($22,990,414)	($24,843,792)
Net Increase (Decrease) in Fund Balance			($8,468,879)	($6,181,468)	($18,690,858)	($23,471,696)
Fund Balance						
	Beginning Fund Balance	9791	$8,602,760	$938,799	($5,242,669)	($23,933,526)
	Audit Adjustments	9793	$0	$0	$0	$0
	Other Restatements	9795	$804,919	$0	$0	$0
	Adjusted Beginning Fund Balance		$9,407,679	$938,799	($5,242,669)	($23,933,526)
	Ending Fund Balance		$938,799	($5,242,669)	($23,933,526)	($47,405,222)
Components of Ending Fund Balance						
	Legally Restricted Balance	9740 - 9759	$0	$0	$0	$0
	Economic Uncertainties Percentage		1.0%	1.10%	3.0%	3.0%
	Designated for Economic Uncertainties	9770	$1,256,592	$1,404,567	$3,789,139	$3,916,341
	Undesignated/ Unappropriated	9790	$0	$0	$0	$0
	Negative Shortfall	9790	($317,792)	($6,647,236)	($27,722,665)	($51,321,563)

Inglewood USD – MYFP
Unrestricted Resource Summary
Utilizing a 3% Reserve Level

Unrestricted Resource Summary 3% Reserve	Category	Object Code	Historical Year 2009 - 10	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues						
	Revenue Limit Sources	**8010 - 8099**	$64,547,514	$64,909,261	$62,356,166	$61,969,869
	Federal Revenues	**8100 - 8299**	$58,290	$60,000	$60,000	$60,000
	Other State Revenues	**8300 - 8599**	$13,328,063	$16,348,027	$16,370,308	$16,670,576
	Other Local Revenues	**8600 - 8799**	$996,594	$999,156	$1,001,876	$1,004,937
Total Revenues			$78,930,461	$82,316,444	$79,788,349	$79,705,381
Expenditures						
	Certificated Salaries	**1000 - 1999**	$38,540,925	$33,461,876	$35,499,173	$36,502,442
	Classified Salaries	**2000 - 2999**	$8,363,085	$9,668,782	$10,708,545	$10,979,550
	Employee Benefits	**3000 - 3999**	$17,241,445	$17,413,604	$20,195,212	$21,683,128
	Books and Supplies	**4000 - 4999**	$1,935,624	$1,927,439	$1,846,357	$1,844,601
	Services and Other Operating	**5000 - 5999**	$7,328,946	$7,403,707	$7,458,688	$7,546,076
	Capital Outlay	**6000 - 6900**	$149,341	$208,436	$208,436	$208,436
	Other Outgo	**7000 - 7299**	$853,074	$814,816	$814,816	$814,816
	Direct Support/Indirect Cost	**7300 - 7399**	($1,597,737)	($1,449,509)	($1,242,436)	($1,245,764)
	Debt Service	**7430 - 7439**	$0	$0	$0	$0
Total Expenditures			$72,814,703	$69,449,151	$75,488,793	$78,333,284
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Other Financing Sources\Uses						
	Interfund Transfers In	**8900 - 8929**	$0	$0	$0	$0
	Interfund Transfers Out	**7600 - 7629**	$0	$2,375,143	$2,375,143	$2,375,143
	Contributions	**8980 - 8999**	($14,584,638)	($16,673,618)	($20,615,271)	($22,468,649)
Total Other Financing Sources\Uses			($14,584,638)	($19,048,761)	($22,990,414)	($24,843,792)
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	Beginning Fund Balance	**9791**	$8,602,760	$938,799	($5,242,669)	($23,933,526)
	Audit Adjustments	**9793**	$0	$0	$0	$0
	Other Restatements	**9795**	$804,919	$0	$0	$0
	Adjusted Beginning Fund Balance		$9,407,679	$938,799	($5,242,669)	($23,933,526)
	Ending Fund Balance		$938,799	($5,242,669)	($23,933,526)	($47,405,222)
Components of Ending Fund Balance						
	Legally Restricted Balance	**9740 - 9759**	$0	$0	$0	$0
	Economic Uncertainties Percentage		1%	3%	3%	3%
	Designated for Economic Uncertainties	**9770**	$1,256,592	$3,823,828	$3,785,800	$3,912,902
	Undesignated/ Unappropriated	**9790**	$0	$0	$0	$0
	Negative Shortfall	**9790**	($317,792)	($9,066,497)	($27,719,326)	($51,318,124)

Note: The percentage used for calculation of minimum reserved balances is below the recommended reserve level.

Inglewood USD – MYFP
Unrestricted & Restricted Resource Summary
Utilizing a 3% Reserve Level

Unrestricted/Restricted 3% Reserve	Category	Object Code	Historical Year 2009 - 10	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues						
	Revenue Limit Sources	**8010 - 8099**	$67,788,368	$68,326,500	$65,757,341	$65,437,224
	Federal Revenues	**8100 - 8299**	$19,883,419	$22,253,014	$12,850,349	$12,850,349
	Other State Revenues	**8300 - 8599**	$25,751,920	$28,393,932	$27,344,462	$27,835,048
	Other Local Revenues	**8600 - 8799**	$1,290,522	$999,156	$1,001,876	$1,004,937
Total Revenues			$114,714,228	$119,972,602	$106,954,027	$107,127,558
Expenditures						
	Certificated Salaries	**1000 - 1999**	$51,268,610	$49,104,855	$47,927,054	$49,352,521
	Classified Salaries	**2000 - 2999**	$18,167,752	$18,296,765	$18,242,945	$18,630,301
	Employee Benefits	**3000 - 3999**	$25,610,289	$26,329,692	$27,576,890	$29,657,227
	Books and Supplies	**4000 - 4999**	$5,262,188	$6,294,815	$4,867,885	$4,814,183
	Services and Other Operating	**5000 - 5999**	$16,199,300	$16,717,095	$16,394,068	$16,116,874
	Capital Outlay	**6000 - 6900**	$433,061	$303,436	$268,436	$268,436
	Other Outgo	**7000 - 7299**	$8,306,332	$8,168,057	$8,669,810	$9,344,284
	Direct Support/Indirect Cost	**7300 - 7399**	($347,307)	($328,442)	($328,442)	($328,442)
	Debt Service	**7430 - 7439**	$38,953	$199,532	$199,532	$199,532
Total Expenditures			$124,939,177	$125,085,805	$123,818,178	$128,054,916
Excess (Deficiency) of Revenues Over Expenditures			($10,224,949)	($5,113,204)	($16,864,150)	($20,927,358)
Other Financing Sources\Uses						
	Interfund Transfers In	**8900 - 8929**	$0	$0	$0	$0
	Interfund Transfers Out	**7600 - 7629**	$720,000	$2,375,143	$2,375,143	$2,375,143
	Contributions	**8980 - 8999**	$0	$0	$0	$0
Total Other Financing Sources\Uses			($720,000)	($2,375,143)	($2,375,143)	($2,375,143)
Net Increase (Decrease) in Fund Balance			($10,944,949)	($7,488,347)	($19,239,293)	($23,302,501)
Fund Balance						
	Beginning Fund Balance	**9791**	$14,825,103	$3,880,155	($3,608,192)	($22,847,485)
	Audit Adjustments	**9793**	$0	$0	$0	$0
	Other Restatements	**9795**	$1,845	$0	$0	$0
	Adjusted Beginning Fund Balance		$14,826,949	$3,880,155	($3,608,192)	($22,847,485)
	Ending Fund Balance		$3,882,000	($3,608,192)	($22,847,485)	($46,149,987)
Components of Ending Fund Balance						
	Legally Restricted Balance	**9740 - 9759**	$2,943,201	$1,634,476	$1,086,041	$1,255,235
	Economic Uncertainties Percentage		1%	3%	3%	3%
	Designated for Economic Uncertainties	**9770**	$1,256,592	$3,823,828	$3,785,800	$3,912,902
	Undesignated/Unappropriated	**9790**	$0	$0	$0	$0
	Negative Shortfall	**9790**	($317,792)	($9,066,497)	($27,719,326)	($51,318,124)

Inglewood USD – MYFP

Restricted Resource Summary

Restricted Resource Summary	Column 1	Object Code	Historical Year 2009 - 10	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues						
	Revenue Limit Sources	8010 - 8099	$3,240,854	$3,417,239	$3,401,175	$3,467,355
	Federal Revenues	8100 - 8299	$19,825,128	$22,193,014	$12,790,349	$12,790,349
	Other State Revenues	8300 - 8599	$12,423,857	$12,045,905	$10,974,154	$11,164,473
	Other Local Revenues	8600 - 8799	$293,928	$0	$0	$0
Total Revenues			$35,783,767	$37,656,158	$27,165,678	$27,422,177
Expenditures						
	Certificated Salaries	1000 - 1999	$12,727,684	$15,642,979	$12,427,881	$12,850,079
	Classified Salaries	2000 - 2999	$9,804,667	$8,627,983	$7,534,400	$7,650,750
	Employee Benefits	3000 - 3999	$8,368,844	$8,916,088	$7,381,678	$7,974,099
	Books and Supplies	4000 - 4999	$3,326,563	$4,367,376	$3,021,527	$2,969,583
	Services and Other Operating	5000 - 5999	$8,870,354	$9,313,388	$8,935,379	$8,570,798
	Capital Outlay	6000 - 6900	$283,720	$95,000	$60,000	$60,000
	Other Outgo	7000 - 7299	$7,453,258	$7,353,241	$7,854,994	$8,529,468
	Direct Support/Indirect Cost	7300 - 7399	$1,250,430	$1,121,067	$913,994	$917,322
	Debt Service	7430 - 7439	$38,953	$199,532	$199,532	$199,532
Total Expenditures			$52,124,474	$55,636,654	$48,329,385	$49,721,632
Excess (Deficiency) of Revenues Over Expenditures			($16,340,707)	($17,980,496)	($21,163,707)	($22,299,455)
Other Financing Sources\Uses						
	Interfund Transfers In	8900 - 8929	$0	$0	$0	$0
	Interfund Transfers Out	7600 - 7629	$720,000	$0	$0	$0
	Contributions	8980 - 8999	$14,584,638	$16,673,618	$20,615,271	$22,468,649
Total Other Financing Sources\Uses			$13,864,638	$16,673,618	$20,615,271	$22,468,649
Net Increase (Decrease) in Fund Balance			($2,476,069)	($1,306,879)	($548,436)	$169,194
Fund Balance						
	Beginning Fund Balance	9791	$6,222,343	$2,941,355	$1,634,476	$1,086,041
	Audit Adjustments	9793	$0	$0	$0	$0
	Other Restatements	9795	($803,073)	$0	$0	$0
	Adjusted Beginning Fund Balance		$5,419,270	$2,941,355	$1,634,476	$1,086,041
	Ending Fund Balance		$2,943,201	$1,634,476	$1,086,041	$1,255,235
Components of Ending Fund Balance						
	Legally Restricted Balance	9740 - 9759	$2,943,201	$1,634,476	$1,086,041	$1,255,235
	Designated for Economic Uncertainties	9770	$0	$0	$0	$0
	Negative Shortfall	9790	$0	$0	$0	$0

FCMAT's MYFP shows that the district is projected to have a negative fund balance in the current and subsequent two fiscal years. Without immediate intervention, the district faces insolvency as shown below:

Current income less expenditures	
YEAR	**AMOUNT**
2010-11	($ 5,113,204)
2011-12	($16,864,150)
2012-13	($20,927,358)
Net Increase (Decrease) in Fund Balance	
2010-11	($ 7,488,347)
2011-12	($19,239,293)
2012-13	($23,302,501)
Ending Fund Balance	
2010-11	($ 3,608,192)
2011-12	($22,847,485)
2012-13	($46,149,987)
Negative Shortfall after Reserve Requirements	
2010-11	($ 9,066,497)
2011-12	($27,719,326)
2012-13	($51,318,124

FCMAT will prepare an updated cash flow projection that will enable the district to determine when it will deplete cash reserves in all funds barring any action by the governing board. The major qualifying criteria for state intervention is whether a district is able to continue making payroll and other financial obligations from its existing cash resources, either internally or externally. The financial situation is serious and will require both short- and long-term solutions. The district will have to strategically manage its cash reserves while concurrently making budget reductions or the district could fall under state receivership for an emergency loan. At that time, the superintendent of public instruction or state administrator could exercise several options under Education Code sections 41325-41326. Based on the district's projected budget and levels of deficit spending, FCMAT projects that the district will need to make substantial reductions in the multiyear financial projection (MYFP) or the district may require state intervention in the 2011-12 fiscal year.

If the district is unable to make the necessary adjustments to avoid state intervention, the Legislature can take action. Existing law provides for emergency apportionments to school districts subject to specific conditions. If it is determined that state intervention is required, the superintendent of public instruction (SPI) assumes all rights and duties of the governing board and, in consultation with the county office, appoints a state administrator to act on behalf of the SPI in exercising the SPI authority over the district. The authority of the superintendent continues until certain conditions are met including but not limited to the completion of assessment and improvement plans for the school district and repayment of the emergency loan. The state administrator supersedes any local authority over the affairs of the district until the district is able to recover financially. This includes the repayment of the state loan, cost for the state administrator and related cost for FCMAT to make periodic assessments of progress toward recovery. This process can take up to 20 years.

This completes FCMAT's current review for the Inglewood School District. On behalf of FCMAT, it has been a pleasure to assist you and please give our regards to all district employees for their cooperation in this review.

Sincerely,

Debi Deal, CFE
Fiscal Intervention Specialist