



# **Rocky Point Charter School**

## **Fiscal Review**

May 7, 2010

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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May 7, 2010

Deborah Stierli, Director  
Rocky Point Charter School  
3500 Tamarack Drive  
Redding, CA 96003

Dear Ms. Stierli,

In December 2009, the Rocky Point Charter School and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a fiscal review of the charter school. Specifically, the agreement stated that FCMAT would perform the following:

1. Review the charter's 2009-10 general fund budget and provide a multiyear financial projection for the two subsequent fiscal years from 2010-11 through 2011-12. The MYFP will include a cash flow component and include projections for 2009-10 and 2010-11 for the purpose of validating the assumptions used by the charter to develop the data.

The attached final report contains the study team's findings and recommendations with regard to the above areas of review. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Rocky Point Charter School.

Sincerely,

Joel D. Montero  
Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

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## Table of Contents

Foreword .....	3
Introduction .....	5
Study Guidelines/Study Team .....	6
Executive Summary .....	7
Findings and Recommendations .....	9
Multiyear Financial Projections .....	9
Cash Flow Projections .....	25
Appendices .....	33



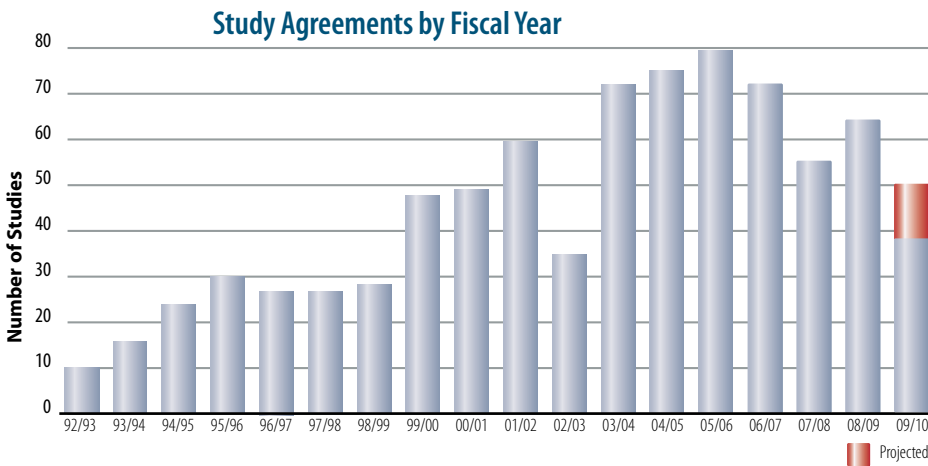
# Foreword - FCMAT Background

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 (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs 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.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT’s services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform nearly 750 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.



<b>Total Number of Studies.....</b>	<b>743</b>
<b>Total Number of Districts in CA.....</b>	<b>1,050</b>
Management Assistance.....	705 (94.886%)
Fiscal Crisis/Emergency .....	38 (5.114%)
Note: Some districts had multiple studies.	
Eight (8) districts have received emergency loans from the state (Rev. 12/8/09)	





# Introduction

## Background

California Education Code Section 47600, also known as the Charter Schools Act of 1992, was enacted “to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure.” Charter schools are a part of the public school system but differ from traditional public schools because they are exempt from many state laws relating to specific educational programs. Specific goals and operating procedures for the charter school are detailed in an agreement, or charter, between the authorizing agency and the charter school organizers. Charter schools may elect to operate as corporations organized under the Nonprofit Public Benefit Corporation Law of the Internal Revenue Code [26 U.S.C. Sec. 501(c)(3)].

While charter schools offer a more flexible school governance model, they are still accountable for student achievement and fiscal management, similar to traditional public schools. The chartering agency is responsible for adequate and appropriate oversight, including determining if a charter is following prudent business practices and generally accepted accounting principles in accounting for revenues and expenditures and preparing financial reports. The chartering agency may be a school district, county office of education, or the California State Board of Education.

The Rocky Point Charter School was authorized in October 2006 by the Gateway Unified School District and opened school in August 2007. Rocky Point is a direct-funded, start-up charter school. The school serves approximately 121 students in kindergarten through grade eight in a classroom setting.

In December 2009, FCMAT and the charter school entered into a study agreement, which specifies that FCMAT will complete the following:

1. Review the charter’s 2009-10 general fund budget and provide a multiyear financial projection for the two subsequent fiscal years from 2010-11 through 2011-12. The MYFP will include a cash flow component and include projections for 2009-10 and 2010-11 for the purpose of validating the assumptions used by the charter to develop the data.

The team will provide recommendations for changes, as necessary. Completion of the scope of work by the team is contingent on the ability of the charter to deliver all supporting documentation within the requested timeline.

## Study Guidelines

FCMAT visited the charter school on February 5, 2010 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Multiyear Financial Projections
- Cash Flow Projections
- Appendix

## Study Team

The FCMAT study team was composed of the following members:

Diane Branham  
FCMAT Fiscal Intervention Specialist  
Bakersfield, California

Lynn Kamph  
FCMAT Consultant  
Chico, California

Laura Haywood  
FCMAT Public Information Specialist  
Bakersfield, California

# Executive Summary

The Gateway Unified School District is the authorizing agency for the Rocky Point Charter School. In addition to its fiscal oversight responsibilities, the district also provides fiscal services to the charter including payroll, purchasing, accounts payable, cash disbursements, accounts receivable, cash receipts, general ledger, budget preparation and reporting to other governing agencies as outlined in the 2009-10 Memorandum of Understanding (MOU) between the two agencies.

Rocky Point shares an unused Gateway school facility with another charter school, Redding School of the Arts. However, Rocky Point is in negotiations with the school district regarding the use and cost of facilities for the 2010-11 fiscal year.

## Multiyear Financial Projections

Multiyear financial projections (MYFPs) help local education agencies make more informed decisions and forecast the effect of current decisions. Projections should be a part of annual budget development and should be evaluated and updated during each interim financial reporting period and before any significant budget adjustments, such as salary increases.

In developing and implementing the multiyear financial projection (MYFP), the charter school's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The financial crisis at the state and national levels makes it an especially challenging time financially for educational agencies statewide. The 2008-09 and 2009-10 state budget acts and the January governor's budget proposal for 2010-11 included significant cuts to the education budget. This situation requires local governing boards to make extremely difficult decisions to balance the budget and remain fiscally solvent.

**FCMAT's multiyear financial projection indicates that the charter school will meet its reserve requirement in the current and two subsequent fiscal years.**

FCMAT's multiyear financial projection indicates that the charter school **will** meet its reserve requirement in the current and two subsequent fiscal years. However, the school will need to continue to monitor its budget closely and update the projections as often as necessary based on any changes in the state's budget for education. Following is a summary of FCMAT's projections for the charter school's unrestricted resources.

**Multiyear Financial Projection Summary  
Unrestricted Resources Only**

Description	Base Year 2009-10	Year 1 2010-11	Year 2 2011-12
Total Revenues	\$705,203	\$804,075	\$946,189
Total Expenditures	735,788	811,535	925,645
Total Other Financing Sources/Uses	-2,633	0	0
Net Increase (Decrease) in Fund Balance	<b>-33,218</b>	<b>-7,460</b>	20,544
Fund Balance:			
Beginning Balance	133,136	99,918	92,458
Total Ending Balance	99,918	92,458	113,002
Components of Ending Fund Balance:			
Revolving Cash	1,100	1,100	1,100
Unrealized Gains of Investments	1,043	0	0
5% or \$50,000 Reserve Requirement	50,000	50,000	54,783
Undesignated/Unappropriated	<b>\$47,775</b>	<b>\$41,358</b>	<b>\$57,119</b>
<b>Negative Shortfall</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Because student attendance is the primary source of funding for the charter school, it should closely monitor the student enrollment and average daily attendance (ADA) calculations to ensure they are accurate and make any necessary adjustments at each reporting period. To maximize unrestricted resources, the charter school should ensure that all restricted programs are charged the maximum allowable indirect cost rate and consider modifying classes to maximize the K-3 CSR funding.

## Cash Flow Projections

The purpose of a cash flow statement is to project the timing of receipts and expenses so that an organization can understand its cash flow needs. The cash flow statement reflects the charter school's ability to meet its payroll and other financial obligations.

Based on the continued and increased cash deferrals included in the state's 2009-10 budget, including deferrals equaling 25% of the current year funding into 2010-11 and additional deferrals enacted by the Legislature and signed by the governor in March 2010, it is imperative that the charter school continue to monitor its current year and subsequent year cash flow at least monthly and carefully monitor its annual budget to ensure that expenditures do not exceed revenues.

Although the cash flow projections prepared by FCMAT for the remainder of 2009-10 and the 2010-11 fiscal years do not reflect a negative ending cash balance in any month, they do reflect that cash will fall to a projected monthly low of approximately \$7,300 in November 2010. In addition to closely monitoring cash flow, the charter school should work with its authorizing school district to determine the borrowing options that are available if funds are needed for cash flow purposes.

When completing cash flow projections, the charter school should ensure that the totals from prior year transactions that affect cash, such as accounts receivable and accounts payable, are included. Care should also be taken to ensure that the statement balances to the Cash in County Report for those months that reflect the actual cash activity.

The charter school should work with its authorizing school district to ensure that funding for in-lieu property taxes is transferred to the charter school as outlined in Education Code Section 46735(b).

## Subsequent Events

On April 13, 2010, the charter school governing board approved an agreement for business and management services to be provided by Delta Managed Solutions, LCC (DMS) for the 2010-11 fiscal year. The charter school should ensure that its budget and multiyear projections include the cost of the DMS contract rather than the cost of business services provided by Gateway Unified.

# Findings and Recommendations

## Multiyear Financial Projections

Multiyear financial projections (MYFPs) help local education agencies make more informed decisions and forecast the effect of current decisions. Projections should be a part of annual budget development and should be evaluated and updated during each interim financial reporting period and before any significant budget adjustments, such as salary increases. In developing and implementing the multiyear financial projections, the charter school's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The MYFP helps identify specific planning milestones that will help the charter school make decisions.

Financial planning is crucial for every local education agency, regardless of its size or structure. Long-term financial planning helps a charter school strategically align its budget with its instructional goals and programs. In addition, recognizing financial trends is essential to maintaining a charter school's fiscal health. Reviewing and analyzing year-over-year trends

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**Financial planning is crucial for every local education agency, regardless of its size or structure.**

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in key budget areas is helpful in evaluating the charter's budget direction and in highlighting possible areas of concern.

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 education agencies throughout the state have been forced to update multiyear assumptions and projections several times during the 2008-09 and 2009-10 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, as projected revenue information from the state may frequently change. However, the MYFP still provides guidance with decisions that cover several fiscal years, and the charter school must continue to update and reassess the ramifications of state-imposed budget adjustments.

Education Code Section 47604.33 requires that charter schools complete the following reports and submit them to the authorizing school district:

- On or before July 1, a preliminary budget.
- On or before December 15, an interim financial report, reflecting information through October 31.

- On or before March 15, a second interim financial report, reflecting information through January 31.
- On or before September 15, an unaudited report for the prior year.

In addition, the memorandum of understanding (MOU) between the charter school and the Gateway Unified School District for the 2009-10 fiscal year includes the following under “Supervisory Oversight”:

- The Charter School’s financial records will be maintained separately with the District’s accounting system.
- The Charter School shall establish its annual budget with assistance from the District showing estimated revenues and expenditures based on identified and reasonable assumptions by June 1.
- The Charter School shall maintain a reserve for economic uncertainties within its budget of not less than the five percent (5%) of its expenditures, or \$50,000, whichever is greater. These expenditures shall be defined as those provided through the Charter School general-purpose entitlement and categorical block grant, federal funds provided under Title I, II, IV and VI of the Improving America’s Schools Act (IASA), and the California State Lottery.
- The District will provide the Charter School with financial statements and three-year projections of revenues and expenditures for the first period interim report period, second period interim reporting period, and the annual reporting period.

To help protect local education agencies against economic uncertainties, Education Code Section 52238 requires school districts with ADA between zero and 300 to maintain reserves of the greater of 5% or \$58,000. While charter schools are not subject to this Education Code requirement, Rocky Point should consider maintaining a reserve for economic uncertainties that is at least 5% of all expenditures (or \$58,000, whichever is greater) rather than specifying that reserves will be based on expenditures tied only to the funding sources specified in the MOU.

## State Budget – Overview

Both 2008-09 and 2009-10 have been unprecedented budget years for California’s local educational agencies. On February 20, 2009, the governor signed a 17-month budget, Senate Bill (SB) 1, Chapter 1, Statutes of 2009, which runs through June 2010 and included revisions to the 2008-09 budget and approval of the 2009-10 state budget. To address the state’s \$41.6 billion budget deficit, state lawmakers reduced expenditures, added new taxes, borrowed money and offset the difference with federal stimulus funds. The state budget reduced education spending by \$8.6 billion over 17 months.

The state budget revisions enacted in February 2009 provided some flexibility options to local educational agencies. These options included flexibility for the K-3 Class Size Reduction

program. SBX3 4 limited the number of funded classes to those included in the January 31, 2009 application and established a new schedule of funding reduction percentages in Education Code Section 52124.3 for classes exceeding 20.44 pupils from 2008-09 through 2011-12. As with the previous schedule, funding for classes of more than 20.44 pupils is calculated based on a count not to exceed 20 pupils multiplied by the funding rate, less the funding reduction percentage.

The enacted budget depended on the passage of several ballot measures that went before the voters on May 19, 2009. All failed with the exception of Proposition 1F. Therefore, the governor's May revise included further cuts to education funding.

In July, the governor called for another special session to address the additional \$24 billion deficit in the state's budget. On July 28, 2009, the governor signed a package of bills that amended the 2008-09 and 2009-10 state budgets and included substantial additional cuts to education funding. These cuts included the following:

- Proposition 98 – In an effort to avoid suspending Proposition 98, the state kept \$1.6 billion in 2008-09 unallocated categorical funds and restored this amount in 2009-10, less funding for High Priority Schools grants that ended in 2008-09. The state then acted to reduce each local education agency's 2009-10 revenue limit or general purpose block grant, on a one-time basis, by approximately \$253 per 2008-09 ADA.
- Revenue Limit Deficit – The July state budget revisions included an increase in the revenue limit deficit factor. The 2009-10 deficit is 18.355%. This means that education will receive approximately 82 cents on the dollar in revenue limit or general purpose block grant funding. Additionally, selected state categorical programs have experienced a 19.84% reduction over a two-year period.

On January 8, 2010, the governor submitted his proposed 2010-11 state budget, which includes expenditure reductions, revenue shifts and increased federal funding to address the estimated \$19.9 billion state budget shortfall. The governor also declared a fiscal emergency and called for another special session of the Legislature, as provided in Proposition 58, to deal with the state's continuing budget crisis.

The proposed 2010-11 education budget includes a negative COLA of .38% as well as an ongoing reduction to revenue limits, which equates to a cut in the general purpose block grant funding of \$191 per grade K-8 average daily attendance (ADA).

The governor has also signed several bills from the most recent special legislative session including ABX8 5 and ABX8 14, which include three new K-12 cash deferrals. It is essential for local education agencies to monitor their spending and cash flow and make reductions as needed to maintain reserves and weather the state's fiscal crisis.

Additional information regarding the 2009 Budget Act may be accessed at the following Web site: [www.cde.ca.gov/nr/el/le/2009budgetact.asp](http://www.cde.ca.gov/nr/el/le/2009budgetact.asp)

In an effort to save jobs, stimulate the economy, improve academic achievement and support school reform, the federal government enacted the American Recovery and Reinvestment Act (ARRA). ARRA funds included funding in the following areas:

- State Fiscal Stabilization Funding (SFSF) – These funds can be utilized for a broad range of purposes beginning April 17, 2009.
- Individuals with Disabilities Education Act (IDEA) – These funds can be expended beginning February 17, 2009 and are being sent to SELPAs for distribution. The use of these funds is subject to maintenance-of-effort requirements.

ARRA funds are to be obligated by September 30, 2011. More information regarding the funds can be found on the following CDE Web sites:

SFSF - <http://www.cde.ca.gov/ar/sf/index.asp>

IDEA - <http://www.cde.ca.gov/fg/fo/r18/arralocass09result.asp>

## Multiyear Financial Projection Method

Local education agencies use many different software products to prepare MYFPs. For Rocky Point's MYFP, FCMAT used its Budget Explorer Web-based MYFP software, which was designed for California education agencies. This tool is available to LEAs free of charge.

Budget Explorer allows agencies to create and update financial projections by interfacing with the standardized account code structure (SACS) or importing data directly from a district's financial system. With its comprehensive modeling capabilities, multiyear financial projections can be produced efficiently, accurately and more rapidly than with conventional spreadsheets. Budget Explorer can be used to make more informed budget decisions and incorporate educational goals and objectives into several financial scenarios. The MYFP utilized in this document will be available to the charter school online upon completion of this report.

## Multiyear Financial Projection Assumptions

FCMAT reviewed and used the charter school's 2009-10 first interim report and the assumptions included with the multiyear financial projections for fiscal years 2010-11 and 2011-12 as a baseline for the MYFP analysis. Because the charter school completed its 2009-10 second interim report following FCMAT's fieldwork and prior to completion of this report, the 2009-10 second interim report was reviewed and adjustments were made to the MYFP as necessary. FCMAT also used budget assumptions based on the January 2010 governor's proposal for the 2010-11 state budget and School Services of California's (SSC's) Financial Dartboard assumptions updated in January 2010. Included in the projection years are the following:

- The average cost of step and column movement for all employees and the associated cost of employer-paid statutory benefits.



## MULTIYEAR FINANCIAL PROJECTIONS

- A 0% increase (cap) for health and welfare benefit costs.
- Increases in general operating expenditures based on the California consumer price index (CPI) and the most recent economic indicators.

To build the base year (2009-10) and develop the multiyear projections, FCMAT interviewed staff and reviewed numerous documents including the following:

- Internal and external documents, including the CDE's Web site, to verify current year revenues.
- Financial system budget comparative reports that correspond to amounts in the 2008-09 unaudited actuals and 2009-10 actuals to date.
- Financial summary reports reflecting general ledger balance sheet accounts for 2008-09 and 2009-10.
- Revenue limit worksheet for 2009-10.
- Historical enrollment information for the current and prior two fiscal years.
- Period one (P-1), period two (P-2) and annual attendance reports for 2007-08 through 2009-10.
- Identification of one-time revenues and expenditures included in the 2009-10 budget.
- Salary schedules and salary placement information for all employees.
- Position control report for 2009-10.
- Independent audit reports for 2007-08 and 2008-09.

The following table includes the economic factors used by FCMAT in completing the charter school's multiyear financial projection:

Projection Rules				
Rule	Description	Base Year 2009-10	Year 1 2010-11	Year 2 2011-12
CertCOLA	Certificated COLA %	0.00%	0.00%	0.00%
ClassCOLA	Classified COLA %	0.00%	0.00%	0.00%
CertColumn%	Certificated Staff Increase % (Special Ed.)	0.00%	14.29%	0.00%
CertStep%	Certificated Staff Step Increase %	0.00%	6.87%	2.18%
ClasStep%	Classified Staff Step Increase %	0.00%	3.50%	3.50%
CPI	California CPI (SSC)	0.80%	2.00%	2.60%
LOT-Res	California Lottery Restricted (SSC)	\$13.00	\$13.00	\$13.00
LOT-Unr	California Lottery Unrestricted (SSC)	\$110.00	\$110.00	\$110.00
INT	Interest Rate Trend for 10 Year Treasuries (SSC)	3.50%	3.90%	4.30%

Projection Rules				
Rule	Description	Base Year 2009-10	Year 1 2010-11	Year 2 2011-12
NetCOLA	Net Funded Revenue Limit COLA (SSC)	-7.64%	-0.38%	1.80%
RLDef	Revenue Limit Deficit: K-12 (SSC)	18.36%	18.36%	18.36%
SpEdCOLA	Special Education COLA (SSC)	0.00%	-0.38%	1.80%
CatCOLA	State Categorical COLA (SSC)	4.25%	-0.38%	1.80%
StCOLA	Statutory COLA (SSC)	4.25%	-0.38%	1.80%
HW%	Health & Welfare Benefit Increase	0.00%	0.00%	0.00%
TierI	Tier I Programs	0.00%	-0.38%	1.80%
TierII	Tier II Programs	-4.46%	-0.38%	1.80%
TierIII	Tier III Programs	-4.46%	-0.38%	1.80%
Enr	Year-to-Year Change in Enrollment	26.04%	19.01%	18.06%
RL-ADA	Year-to-Year Change in RL ADA	0.00%	19.27%	17.26%
P2ADA	P2-ADA/Prior Year Annual Estimate	0.00	112.69	134.41

## Multiyear Financial Projection Analysis

The primary purpose of an MYFP is to project the charter school’s budget over several fiscal years using budget assumptions that allow the school to achieve and sustain a balanced budget and meet the required 5% or \$50,000 minimum reserve for economic uncertainties, as outlined in the MOU. To evaluate the multiyear projection, attention is focused on the charter school’s ability to meet its reserve requirement and demonstrate a positive, unappropriated fund balance. When the unappropriated fund balance is negative, the deficit balance is the amount by which the budget must be reduced to meet the reserve requirement.

FCMAT has analyzed all funding sources and expenditure categories by resource, and based on the economic indicators and assumptions available at this time, the MYFP presented below indicates that the charter school **will** be able to maintain its required reserve in the current and two subsequent fiscal years. However, given the ongoing fiscal crisis at the state and national levels, local education agencies continue to face the possibility of additional reductions in state funding and must continue to be vigilant in monitoring revenues and expenditures daily.

Unrestricted Resources – The charter school’s budget is a combination of unrestricted general purpose dollars and restricted categorical funds. In analyzing the district’s budget, much attention is focused on the unrestricted resources, in particular the unappropriated ending fund balance.

## MULTIYEAR FINANCIAL PROJECTIONS

### Charter Schools Special Revenue Fund Unrestricted Resources Only Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2009 - 10	Year 1 2010 - 11	Year 2 2011 - 12
<b>Revenues</b>				
Revenue Limit Sources	8010 - 8099	\$550,681.00	\$650,130.00	\$776,350.00
Federal Revenues	8100 - 8299	\$0.00	\$0.00	\$0.00
Other State Revenues	8300 - 8599	\$137,997.00	\$149,847.81	\$165,630.15
Other Local Revenues	8600 - 8799	\$16,525.00	\$4,097.50	\$4,209.19
<b>Total Revenues</b>		<b>\$705,203.00</b>	<b>\$804,075.31</b>	<b>\$946,189.34</b>
<b>Expenditures</b>				
Certificated Salaries	1000 - 1999	\$318,549.00	\$359,049.32	\$416,050.95
Classified Salaries	2000 - 2999	\$101,075.00	\$97,065.56	\$106,269.62
Employee Benefits	3000 - 3999	\$105,117.00	\$119,879.23	\$136,629.68
Books and Supplies	4000 - 4999	\$27,425.00	\$33,364.00	\$40,139.82
Services and Other Operating	5000 - 5999	\$190,522.00	\$208,305.47	\$232,683.36
Capital Outlay	6000 - 6900	\$0.00	\$0.00	\$0.00
Other Outgo	7000 - 7299	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	(\$6,900.00)	(\$6,128.00)	(\$6,128.00)
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00
<b>Total Expenditures</b>		<b>\$735,788.00</b>	<b>\$811,535.58</b>	<b>\$925,645.43</b>
<b>Excess (Deficiency) of Revenues Over Other Financing Sources/Uses</b>		<b>(\$30,585.00)</b>	<b>(\$7,460.27)</b>	<b>\$20,543.91</b>
<b>Other Financing Sources/Uses</b>				
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 - 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 - 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 - 8999	(\$2,633.00)	\$0.00	\$0.00
<b>Total Other Financing Sources/Uses</b>		<b>(\$2,633.00)</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Net Increase (Decrease) in Fund Balance</b>		<b>(\$33,218.00)</b>	<b>(\$7,460.27)</b>	<b>\$20,543.91</b>
<b>Fund Balance</b>				
Beginning Fund Balance	9791	\$133,136.00	\$99,918.00	\$92,457.73
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$133,136.00	\$99,918.00	\$92,457.73
Ending Fund Balance		\$99,918.00	\$92,457.73	\$113,001.64
<b>Components of Ending Fund Balance</b>				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Revolving Cash	9711	\$1,100.00	\$1,100.00	\$1,100.00
Stores	9712	\$0.00	\$0.00	\$0.00
Prepaid Expenditures	9713	\$0.00	\$0.00	\$0.00
Other Prepay	9719	\$0.00	\$0.00	\$0.00
General Reserve	9730	\$0.00	\$0.00	\$0.00
Legally Restricted Balance	9740 - 9759	\$0.00	\$0.00	\$0.00
Economic Uncertainties Percentage		5%	5%	5%
Designated for Economic Uncertainties	9770	\$50,000.00	\$50,000.00	\$54,782.63
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$1,043.00	\$0.00	\$0.00
Other Designated	9780	\$0.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$47,775.00	\$41,357.73	\$57,119.01

Restricted Resources – The charter school has six restricted federal and state programs, including SFSF, ARRA IDEA, Child Nutrition, Lottery Instructional Materials, Special Education and Tobacco Use Prevention Education. As noted previously, SFSF and ARRA are one-time funding sources. In addition, the charter receives funding for the Arts and Music Block Grant. However, FCMAT’s projection includes these funds in the unrestricted resources based on the flexibility provisions provided in the 2008-09 enacted state budget.

Charter Schools Special Revenue Fund  
 Restricted Resources Only  
 Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2009 - 10	Year 1 2010 - 11	Year 2 2011 - 12
<b>Revenues</b>				
Revenue Limit Sources	8010 - 8099	\$0.00	\$0.00	\$0.00
Federal Revenues	8100 - 8299	\$44,512.00	\$33,037.79	\$38,740.11
Other State Revenues	8300 - 8599	\$4,200.00	\$4,966.28	\$5,789.57
Other Local Revenues	8600 - 8799	\$103,773.00	\$118,788.99	\$136,782.70
<b>Total Revenues</b>		<b>\$152,485.00</b>	<b>\$156,793.06</b>	<b>\$181,312.38</b>
<b>Expenditures</b>				
Certificated Salaries	1000 - 1999	\$48,554.00	\$27,562.94	\$27,562.94
Classified Salaries	2000 - 2999	\$35,273.00	\$32,037.98	\$33,127.81
Employee Benefits	3000 - 3999	\$26,242.00	\$18,815.92	\$18,991.13
Books and Supplies	4000 - 4999	\$9,630.00	\$2,829.09	\$3,231.27
Services and Other Operating	5000 - 5999	\$61,639.00	\$67,298.55	\$80,966.05
Capital Outlay	6000 - 6900	\$0.00	\$0.00	\$0.00
Other Outgo	7000 - 7299	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	\$6,900.00	\$6,128.00	\$6,128.00
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00
<b>Total Expenditures</b>		<b>\$188,238.00</b>	<b>\$154,672.48</b>	<b>\$170,007.20</b>
<b>Excess (Deficiency) of Revenues Over</b>		<b>(\$35,753.00)</b>	<b>\$2,120.58</b>	<b>\$11,305.18</b>
<b>Other Financing Sources\Uses</b>				
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 - 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 - 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 - 8999	\$2,633.00	\$0.00	\$0.00
<b>Total Other Financing Sources\Uses</b>		<b>\$2,633.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Net Increase (Decrease) in Fund Balance</b>		<b>(\$33,120.00)</b>	<b>\$2,120.58</b>	<b>\$11,305.18</b>
<b>Fund Balance</b>				
Beginning Fund Balance	9791	\$39,286.00	\$6,166.00	\$8,286.58
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$39,286.00	\$6,166.00	\$8,286.58
Ending Fund Balance		\$6,166.00	\$8,286.58	\$19,591.76
<b>Components of Ending Fund Balance</b>				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Revolving Cash	9711	\$0.00	\$0.00	\$0.00
Stores	9712	\$0.00	\$0.00	\$0.00
Prepaid Expenditures	9713	\$0.00	\$0.00	\$0.00
Other Prepay	9719	\$0.00	\$0.00	\$0.00
General Reserve	9730	\$0.00	\$0.00	\$0.00
Legally Restricted Balance	9740 - 9759	\$6,166.00	\$8,286.58	\$19,591.76
Designated for Economic Uncertainties	9770	\$0.00	\$0.00	\$0.00
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Designated	9780	\$0.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$0.00	\$0.00	\$0.00
Negative Shortfall	9790	\$0.00	\$0.00	\$0.00

Unrestricted and Restricted Resources – The combined unrestricted and restricted resources shows a positive ending balance in the current and two projection years including an undesignated/unappropriated balance in each year.

**Charter Schools Special Revenue Fund  
Unrestricted and Restricted Resources  
Revenues, Expenditures, and Changes in the Fund Balance**

Name	Object Code	Base Year 2009 - 10	Year 1 2010 - 11	Year 2 2011 - 12
<b>Revenues</b>				
Revenue Limit Sources	8010 - 8099	\$550,681.00	\$650,130.00	\$776,350.00
Federal Revenues	8100 - 8299	\$44,512.00	\$33,037.79	\$38,740.11
Other State Revenues	8300 - 8599	\$142,197.00	\$154,814.09	\$171,419.72
Other Local Revenues	8600 - 8799	\$120,298.00	\$122,886.49	\$140,991.89
<b>Total Revenues</b>		<b>\$857,688.00</b>	<b>\$960,868.37</b>	<b>\$1,127,501.72</b>
<b>Expenditures</b>				
Certificated Salaries	1000 - 1999	\$367,103.00	\$386,612.26	\$443,613.89
Classified Salaries	2000 - 2999	\$136,348.00	\$129,103.54	\$139,397.43
Employee Benefits	3000 - 3999	\$131,359.00	\$138,695.15	\$155,620.81
Books and Supplies	4000 - 4999	\$37,055.00	\$36,193.09	\$43,371.09
Services and Other Operating	5000 - 5999	\$252,161.00	\$275,604.02	\$313,649.41
Capital Outlay	6000 - 6900	\$0.00	\$0.00	\$0.00
Other Outgo	7000 - 7299	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	\$0.00	\$0.00	\$0.00
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00
<b>Total Expenditures</b>		<b>\$924,026.00</b>	<b>\$966,208.06</b>	<b>\$1,095,652.63</b>
<b>Excess (Deficiency) of Revenues Over</b>		<b>(\$66,338.00)</b>	<b>(\$5,339.69)</b>	<b>\$31,849.09</b>
<b>Other Financing Sources/Uses</b>				
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 - 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 - 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 - 8999	\$0.00	\$0.00	\$0.00
<b>Total Other Financing Sources/Uses</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Net Increase (Decrease) in Fund Balance</b>		<b>(\$66,338.00)</b>	<b>(\$5,339.69)</b>	<b>\$31,849.09</b>
<b>Fund Balance</b>				
Beginning Fund Balance	9791	\$172,422.00	\$106,084.00	\$100,744.31
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$172,422.00	\$106,084.00	\$100,744.31
Ending Fund Balance		\$106,084.00	\$100,744.31	\$132,593.40
<b>Components of Ending Fund Balance</b>				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Revolving Cash	9711	\$1,100.00	\$1,100.00	\$1,100.00
Stores	9712	\$0.00	\$0.00	\$0.00
Prepaid Expenditures	9713	\$0.00	\$0.00	\$0.00
Other Prepay	9719	\$0.00	\$0.00	\$0.00
General Reserve	9730	\$0.00	\$0.00	\$0.00
Legally Restricted Balance	9740 - 9759	\$6,166.00	\$8,286.58	\$19,591.76
Economic Uncertainties Percentage		5%	5%	5%
Designated for Economic Uncertainties	9770	\$50,000.00	\$50,000.00	\$54,782.63
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$1,043.00	\$0.00	\$0.00
Other Designated	9780	\$0.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$47,775.00	\$41,357.73	\$57,119.01

## Enrollment Projection

Proper enrollment tracking and analysis of ADA are essential to providing a solid foundation for budget planning. Because the charter school's primary funding is based on student attendance, monitoring and projecting student enrollment and attendance are crucial functions. When enrollment and related ADA increase or decline, the charter school must consider the budgetary effect of the teacher-to-student ratios and related expenditures and plan accordingly.

FCMAT reviewed the charter’s enrollment and ADA trends since the school opened in 2007-08, comparing the October California Basic Educational Data System (CBEDS) student enrollment counts to the P-2 attendance to determine the average enrollment-to-ADA ratios.

To project the charter’s future enrollment, FCMAT used the cohort survival method, which groups students by grade level upon entry and tracks them through each year that they stay in school. This method evaluates the longitudinal relationship of the number of students passing from one grade to the next in a subsequent year. In doing so, this method more closely accounts for retention, dropouts and students transferring to and from the charter school grade by grade. Although other enrollment forecasting techniques are available, the cohort survival method usually is the best choice for local education agencies because of its sensitivity to key variables such as:

- Birth rates and trends
- The historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Migration patterns
- Changes in local and regional demographics

Because this is the charter school’s third year of operation, only two years of grade level progression data is available. This lack of historical data leaves the enrollment projections particularly susceptible to large grade level fluctuations between years. Although FCMAT has made adjustments in its projections to account for these large variances between years, the charter school should continue to monitor its enrollment and attendance closely and update the projections as new data is available.

The following table reflects the charter school’s historical and current year enrollment and historical ADA data along with the enrollment and ADA data developed by FCMAT for the projection years.

Enrollment & ADA					
	2007-08	2008-09	2009-10*	2010-11**	2011-12**
CBEDS	105	96	121	144	170
P-2 ADA	91.05	89.49	112.69	134.41	157.61
ADA %	86.71%	93.22%	93.13%	93.34%	92.71%

\*P-2 ADA projected by FCMAT based on actual CBEDS and average percentage of prior two year’s ADA by grade level.

\*\*Enrollment/ADA projected by FCMAT.

## Revenues

Revenue Limit Sources – FCMAT calculated the charter school general purpose block grant using the per student grant amounts reflected on the CDE’s Web site for 2009-10 and the SSC projection dartboard dated January 2010 for 2010-11 and 2011-12. These factors include the negative .38% COLA in 2010-11 and the projected 1.80% COLA in 2011-12. However,

based on the state's current fiscal crisis, the charter school should have a contingency plan if the COLA is not funded by the state.

The July 2009 state budget revision included a one-time reduction of \$252.99 per 2008-09 ADA. Thus FCMAT has included a reduction of \$22,640 in the 2009-10 budget. In addition, the governor's January budget proposal for 2010-11 includes an ongoing reduction of \$191 per K-8 ADA that has been included in the projection years.

Federal Revenue – The one-time ARRA revenue was eliminated in the projection years. The remaining federal revenue was adjusted based on projected ADA.

State Revenue – The categorical block grant for 2009-10 was based on CDE's P-1 apportionment summary and adjusted for the projected P-2 ADA. The projection years were adjusted for the projected COLAs and ADA.

The SSC Dartboard was used for lottery rates in the current and projected fiscal years and funding was adjusted based on projected ADA.

The charter school's budget for K-3 CSR is based on three classrooms of students because that was the number included in the January 2009 application. However, the school has four classrooms with K-3 students in each. The state funds K-3 CSR based on grade level priority. Thus, classrooms with first and second grade students will be funded before classes with third grade and kindergarten students. Based on the numerous grade levels included in each classroom, the charter is projecting that funding will only be received for 53 students. The charter school should maximize its funding by enrolling all of its first and second graders in the three funded classrooms, and then adding third grade and/or kindergarten students to these classrooms until the classes are full.

FCMAT adjusted the K-3 CSR budget based on the projected COLAs in the out years but left the student count at 53 because it is unknown if the charter school will modify classroom assignments to maximize funding.

The Arts and Music Block Grant was part of the Tier III programs pursuant to SBX3 4 and can be redirected to any educational use. CDE is no longer allowing the use of the restricted resource code for this program and is sending the funding to LEAs using resource 0000. Therefore, FCMAT moved the budget to the unrestricted resources and adjusted the out year budgets to include COLA and projected ADA.

Local Revenue - Revenue received from Redding School of the Arts for reimbursement of custodial services was decreased in the current fiscal year and eliminated in the projection years because the two charter schools no longer share custodial services.

The current year budget was increased to account for the one-time funds from the buy-out of copy machines.

The 2009-10 funding for special education was adjusted to \$594.60/ADA as reflected on funding documents supplied by the SELPA. FCMAT has adjusted this amount by COLA and projected P-2 ADA in the out years. It is assumed that the charter school will receive the same base funding level per ADA. However, this has not yet been verified by the SELPA.

## Expenditures

Certificated Salaries – The FCMAT multiyear projection includes the impact of ongoing step and/or column costs as reflected in the projection rules spreadsheet earlier in this report. No other adjustments for salary enhancements have been included since those are determined at the local level. Charter school staff indicated that teaching staff will not be added until enrollment has increased by 40 students. Based on projected student enrollment, FCMAT's MYFP increases the number of certificated teaching staff by one full-time equivalent in 2011-12.

The portion of a teacher's salary that is funded by one-time SFSF dollars in 2009-10 has been moved to the unrestricted resources in the out years.

Classified Salaries – The FCMAT multiyear projection includes the impact of ongoing step costs as reflected in the projection rules spreadsheet previously in this report. No other adjustments for salary enhancements have been included since those are determined at the local level. Charter school staff indicated that a part-time aide is provided for each classroom when finances allow. Thus, a .438 full-time equivalent instructional aide was added in 2011-12 to coincide with the hiring of the additional teacher.

The 2009-10 cost of custodians was adjusted based on the actual expenditures to date and was reduced in the out years because the charter school now contracts out for some of these services.

An instructional aide is funded by the one-time ARRA revenue in 2009-10. However, this position has been eliminated in FCMAT's multiyear projection.

The 2009-10 second interim financial report reflects that the cost for part of a clerical employee's salaries and benefits has been moved to the child nutrition program. Interviews indicated that part of this staff member's time is spent processing transactions and claims for the child nutrition program. The charter school should review CSAM Procedure 905 and ensure that the proper time accounting requirements are being followed so that salaries and benefits can be charged to this program. FCMAT's MYFP does not include the transfer of salary and benefit costs for clerical staff to the child nutrition program.



Employee Benefits – FCMAT adjusted statutory benefits in proportion to certificated and classified salary changes. The projected costs of employer paid health and welfare contributions have been adjusted in the current year based on actual costs to date. The projection years are calculated based on the cap of \$8,004 per full-time employee. A review of the charter school's position control report dated January 29, 2010, reflected that the cap of \$8,004 is included for each employee. However, interviews indicated that several health and welfare plans are available and some staff members choose a plan that costs less than the cap. Consideration should be given to including the actual health and welfare cost for each employee on the position control report so that the most accurate projections are used at each reporting period.

Books and Supplies – FCMAT adjusted the budget for projected years based on the consumer price index (CPI) inflation factor from the SSC Dartboard and projected ADA.

Services – The 2009-10 budget was adjusted based on current year expenditures to date, and the out years were adjusted using the CPI and projected ADA.

The fees paid to Gateway Unified School District for fiscal oversight (3%) and fiscal service support (7%) were recalculated based on the projected revenue in each fiscal year. Interviews indicated that the charter school is in discussions with Gateway Unified regarding the use of district facilities and fiscal support services for 2010-11. However, no agreements had been reached at the time of FCMAT's fieldwork.

The transfers from unrestricted lottery and K-3 CSR using object code 5710, transfer of direct costs, was eliminated. Although these funds can be used for almost any educational purpose, with a few exceptions for lottery funding, proper accounting procedures are to track the actual costs paid by each resource. The charter school currently pays the expenses out of locally defined resources and then offsets the costs with a negative expense in object 5710.

Discussions are taking place between the charter school and Gateway Unified regarding the costs for special education services. FCMAT adjusted the expenses for special education by CPI and projected ADA only because discussions with the district had not been completed at the time of FCMAT's fieldwork.

Direct Support/Indirect Costs – FCMAT included the charge of indirect costs to the restricted resources as permitted by statute (4.81% or 4.52% depending on the program) to maximize unrestricted resources and reflect the true cost of each program. However, the charter school is not charging the state-approved indirect cost rate to these programs. The school should calculate and charge indirect costs for all allowable restricted programs.

## Other Financing Sources/Uses

Contributions to Restricted Programs – The charter school is projected to contribute to the special education program in the current fiscal year. Based on projected funding increases, there is no contribution in the out years.

FCMAT's projection reduced supplies or services in the restricted resources where possible to remain within the projected revenue estimates. However, this action may also affect programs by reducing expenditures for these items.

## Fiscal Reporting Processes

In addition to fiscal oversight, the authorizing district, Gateway Unified, provides fiscal services support to the charter school. The 2009-10 MOU between Rocky Point and Gateway indicates that the district provides payroll, purchasing, accounts payable, cash disbursements, accounts receivable, cash receipts, general ledger, budget preparation and reporting services, and assistance to office personnel for accounting and student records programs. Interviews indicated that the charter school is charged 7% of its total revenue budget, excluding special education, for these services. However, the MOU states the following:

The Charter School shall budget annually (10%) of its local, state and federal income for necessary 'oversight' (3% includes administrative services and use of facilities; 7% includes business and technology services).

The MOU goes on to state the following regarding the cost of fiscal service support:

The Charter School shall be billed for these services up to 7% budgeted for related fiscal services.

Interviews further indicated that the charter school is charged 3% of the general purpose block grant and categorical block grant funding for oversight fees because the charter also uses district-provided facilities. The MOU should be clear regarding the funding sources that are used to calculate the oversight fees and the fees for fiscal and/or technology services.

The charter petition for Rocky Point Charter School, dated August 30, 2006, and the Annual Operation Agreement (MOU) between Rocky Point and the district for the 2009-10 fiscal year indicate that the charter school will incorporate as a nonprofit public benefit corporation. However, a review of the California Secretary of State's Web site indicated that the nonprofit status for Rocky Point Charter School has been suspended. The charter school should ensure that it completes the necessary requirements to maintain active status as a nonprofit public benefit corporation.

Gateway Unified processes and reports the charter school's financial information through the district's accounting system using the standardized account code structure (SACS) Fund 09,

the Charter Schools Special Revenue Fund, as provided in the California School Accounting Manual (CSAM). The district also uses Excel spreadsheets to present budget information to the charter school governing board at each reporting period. A spreadsheet is presented that contains budget information by object code and a second sheet includes budgeted expenses by program. The charter school should consider working with the district to present the information using separate columns for unrestricted resources, restricted resources and combined resources to help ensure that revenue and expense budgets can be more readily identified and can easily be tied back to the financial system reports.

Appendix A of the 2009-10 MOU with Gateway Unified specifies that the district will give the charter school access to the Escape financial system to review and print reports. However, interviews indicated that charter school staff do not have access to the financial system. Having read-only access to the financial system would allow charter school staff to monitor its budget daily and provide needed financial information more readily.

Education Code Section 47604.33 requires charter schools to complete an interim financial report and submit it to the authorizing school district on or before December 15 of each year. A review of the charter school's 2009-10 first interim report reflects that it was submitted to the charter governing board on December 17, 2009. The charter school should work with Gateway Unified to ensure that financial reports are completed within the timelines specified in the Education Code.

The charter school's financial system reports include numerous locally defined unrestricted resources. The charter school should consider using a program or sub-program code in its account code string rather than a separate resource to help consolidate financial reports and make them easier to read.

## Recommendations

*The charter school should:*

1. Consider maintaining a reserve for economic uncertainties that is at least 5% of all expenditures (or \$58,000) rather than specifying that reserves be based on expenditures tied to particular funding sources.
2. Monitor revenues and expenditures on an ongoing basis to ensure they are within budgeted levels.
3. Monitor student enrollment and attendance closely and update projections as new data becomes available and at each reporting period.
4. Develop a contingency plan if the projected 2011-12 COLA is not funded by the state.
5. Consider modifying K-3 CSR classes to maximize state funding.
6. Include the revenue for the Arts and Music Block Grant in the unrestricted resources.

7. Review CSAM procedure 905 and ensure that the proper time accounting requirements are being followed so salaries and benefits can be charged to this program.
8. Consider including the actual health and welfare cost for each employee on the position control report.
9. Eliminate the use of object 5710 for transferring revenue from lottery and K-3 CSR to locally defined resources, and track the actuals costs for these programs in their respective resources.
10. Charge the full indirect cost rate legally allowed to all programs to maximize unrestricted resources and reflect the true cost of each program.
11. Include specific language in the MOU with Gateway Unified School District stating which funding sources are used to calculate the 7% charge for fiscal services support.
12. Ensure that the MOU with Gateway Unified is clear regarding the charge for oversight fees being based on the general purpose and categorical block grant funds.
13. Ensure that it completes the necessary requirements to maintain active status as a nonprofit public benefit corporation.
14. Consider implementing budget spreadsheets that include separate columns for unrestricted, restricted and combined resources at each reporting period.
15. Work with Gateway Unified to obtain necessary access to the Escape financial system.
16. Work with Gateway Unified to ensure that financial reports are completed within the timelines specified in the Education Code.
17. Consider using a program or sub-program code in its account code string rather than a separate resource to help consolidate financial reports and make them easier to read.

# Cash Flow Projections

The purpose of a cash flow statement is to project the timing of receipts and expenses so that an organization can understand its monthly or even daily cash requirements. The cash flow statement reflects the charter's liquidity and ability to meet its current payroll and other required financial obligations. As an analytical tool, the cash flow analysis should not be confused with the charter school's budget and fund balance; it excludes transactions that do not directly affect cash receipts and payments.

Any forecast of financial data for cash flow purposes has inherent limitations, including issues such as unanticipated changes in enrollment trends and changing economic conditions at the state, federal and local levels. Therefore, the cash flow forecasting model should be evaluated as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. Multiyear cash flow projections help provide for more informed decision-making and the ability to forecast the fiscal impact of current decisions. The cash flow projections should be updated each month to accurately account for all revenues, expenditures and other changes related to cash.

With the current budget crisis at the state and national levels, cash management is one of the main concerns in every local educational agency. The state has a history of deferring payments to education agencies, starting with deferral of the 2002-03 June apportionment to the 2003-04 fiscal year, which has continued each fiscal year. The 2008-09 and 2009-10 state budget acts further complicated the situation by adding numerous one-time and ongoing deferrals. In addition, the July 2009 state budget revisions included SBX4 16, which changed statutory apportionment schedules for local educational agencies and defers state funding to later in the fiscal year. To further address the state's cash needs, the governor also signed ABX8 5 and ABX8 14 in March 2010 that make further deferrals of payments to local educational agencies in 2010-11. This makes it imperative for the charter school to place an emphasis on cash flow analysis. Interviews indicated that the cash flow statement has been provided with the interim budget reports beginning in 2009-10.

In addition to the new apportionment schedule and deferrals reflected in the following spreadsheet, ABX8 5 and ABX8 14 include three additional deferrals for 2010-11. As of the writing of this report, the state plans to defer the following payments but has the authority to shift these payments by 30 days:

- The July 2010 payment will be deferred for 60 days, in the amount of \$2.5 billion.
- The October 2010 payment will be deferred for 90 days, in the amount of \$2.5 billion.
- The March 2011 payment will be deferred and paid on April 29, 2011, in the amount of \$2.5 billion.

**Apportionment & Cash Payment Schedules  
2009-10**

Month	Apportionment	Cash Payment
July	5.0%	1.0%
August	5.0%	0.0%
September	9.0%	9.0%
October	9.0%	14.0%
November	9.0%	4.5%
December	9.0%	13.0%
January	9.0%	13.5%
February	9.0%	0.5%
March	9.0%	9.0%
April	9.0%	6.0%
May	9.0%	4.5%
June	9.0%	0.0%
<b>Subsequent Year</b>		
July		17.5%
August		7.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

To complete the cash flow projections for the remainder of the 2009-10 and 2010-11 fiscal years, FCMAT reviewed the charter school's CashFlow Projections dated February 28, 2010, the Cash in County Reports for 2008-09 and 2009-10, and account object summary reports for 2009-10.

FCMAT's cash flow projections for 2009-10 and 2010-11 include the state cash deferrals as presented above. Although the following statements do not reflect a negative ending cash balance in any month, they do reflect that cash will fall to a low of approximately \$7,300 in November 2010. Therefore, it is extremely important that the charter school monitor its cash regularly and complete monthly cash flow statements for the current and subsequent fiscal year to ensure that financial obligations can be met. In addition, the charter school should work with its authorizing school district to determine the borrowing options that are available if funds are needed for cash flow purposes.

# CASH FLOW PROJECTIONS

Projection: Rocky Point (2009-10 First Interim)

Charter Schools Special Revenue Fund  
Cashflow  
Fiscal Year: 2009/10

Name	Object Code	Budget	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual
<b>Beginning Cash Balance</b>			\$171,070.00	\$226,784.00	\$172,462.00	\$144,811.00	\$108,464.00	\$80,066.00	\$89,996.00	\$120,901.00
<b>Receipts</b>										
Revenue Limit Sources	8010 - 8099	\$550,681.00	\$6,045.00	\$0.00	\$60,449.00	\$23,450.00	\$46,839.00	\$63,737.00	\$48,507.00	\$51,943.00
Federal Revenues	8100 - 8299	\$44,512.00	\$0.00	\$0.00	\$0.00	\$0.00	\$13,296.00	\$0.00	\$2,969.00	\$2,795.00
Other State Revenues	8300 - 8599	\$142,197.00	\$1,169.00	\$0.00	\$4,501.00	\$7,567.00	\$3,452.00	\$15,722.00	\$10,009.00	\$11,200.00
Other Local Revenues	8600 - 8799	\$120,298.00	\$0.00	\$0.00	\$0.00	\$1,012.00	\$3,239.00	\$0.00	\$33,096.00	\$4,757.00
Interfund Transfers In	8800 - 8929	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 - 8979	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Receipts</b>		<b>\$857,688.00</b>	<b>\$7,214.00</b>	<b>\$0.00</b>	<b>\$64,950.00</b>	<b>\$32,019.00</b>	<b>\$63,567.00</b>	<b>\$82,698.00</b>	<b>\$94,561.00</b>	<b>\$70,695.00</b>
<b>Disbursements</b>										
Certified Salaries	1000 - 1999	\$367,103.00	\$5,833.00	\$26,938.00	\$33,674.00	\$32,286.00	\$33,986.00	\$32,761.00	\$32,286.00	\$32,511.00
Classified Salaries	2000 - 2999	\$136,348.00	\$2,267.00	\$10,650.00	\$11,028.00	\$12,484.00	\$12,765.00	\$11,802.00	\$12,393.00	\$11,802.00
Employee Benefits	3000 - 3999	\$131,359.00	\$2,112.00	\$10,307.00	\$11,701.00	\$12,129.00	\$12,410.00	\$11,640.00	\$11,056.00	\$11,955.00
Books and Supplies	4000 - 4999	\$37,055.00	\$413.00	\$2,237.00	\$3,184.00	\$2,448.00	\$4,445.00	\$3,309.00	\$553.00	\$755.00
Services and Other Operating	5000 - 5999	\$252,161.00	\$1,928.00	\$12,834.00	\$9,762.00	\$11,073.00	\$21,791.00	\$13,236.00	\$7,712.00	\$23,244.00
Capital Outlay	6000 - 6900	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Outgo	7000 - 7299	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 - 7699	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Disbursements</b>		<b>\$924,026.00</b>	<b>\$12,553.00</b>	<b>\$62,966.00</b>	<b>\$69,349.00</b>	<b>\$70,420.00</b>	<b>\$85,427.00</b>	<b>\$72,768.00</b>	<b>\$64,000.00</b>	<b>\$80,267.00</b>
<b>Assets</b>										
Revolving Cash Account	9130	\$1,100.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash with a Fiscal Agent/Trustee	9135	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Receivable	9200	\$173,827.00	\$67,052.00	\$9,265.00	\$61,182.00	\$4,734.00	\$35,125.00	\$0.00	\$648.00	\$1.00
Due from Other Funds	9310	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Assets</b>		<b>\$174,927.00</b>	<b>\$67,052.00</b>	<b>\$9,265.00</b>	<b>\$61,182.00</b>	<b>\$4,734.00</b>	<b>\$35,125.00</b>	<b>\$0.00</b>	<b>\$648.00</b>	<b>\$1.00</b>
<b>Liabilities</b>										
Accounts Payable (Current Liabilities)	9500	\$174,614.00	\$5,999.00	\$621.00	\$84,434.00	\$2,660.00	\$41,663.00	\$0.00	\$324.00	\$0.00
Due to Grantor Governments	9590	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Due to Other Funds	9610	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Deferred Revenue	9650	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Liabilities</b>		<b>\$174,614.00</b>	<b>\$5,999.00</b>	<b>\$621.00</b>	<b>\$84,434.00</b>	<b>\$2,660.00</b>	<b>\$41,663.00</b>	<b>\$0.00</b>	<b>\$324.00</b>	<b>\$0.00</b>
<b>Ending Cash Balance</b>			<b>\$226,784.00</b>	<b>\$172,462.00</b>	<b>\$144,811.00</b>	<b>\$108,464.00</b>	<b>\$89,996.00</b>	<b>\$89,996.00</b>	<b>\$120,901.00</b>	<b>\$111,350.00</b>

Projection: Rocky Point (2009-10 First Interim)

Charter Schools Special Revenue Fund  
Cashflow  
Fiscal Year: 2009/10

Name	Mar Projected	Apr Projected	May Projected	Jun Projected	YTD Actuals Plus Projected Cash	Accruals	Totals	Variance
<b>Beginning Cash Balance</b>	\$111,330.00	\$79,642.00	\$89,493.00	\$75,111.00				
<b>Receipts</b>								
Revenue Limit Sources	\$70,004.00	\$44,534.00	\$39,732.00	\$24,981.00	\$480,221.00	\$70,460.00	\$550,681.00	\$0.00
Federal Revenues	\$7,095.00	\$4,589.00	\$4,589.00	\$4,589.00	\$39,922.00	\$4,590.00	\$44,512.00	\$0.00
Other State Revenues	\$8,053.00	\$34,002.00	\$14,553.00	\$7,688.00	\$117,906.00	\$24,291.00	\$142,197.00	\$0.00
Other Local Revenues	\$71.00	\$5,893.00	\$5,911.00	\$5,911.00	\$59,890.00	\$60,408.00	\$120,298.00	\$0.00
Interfund Transfers In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Receipts</b>	<b>\$85,223.00</b>	<b>\$89,018.00</b>	<b>\$64,785.00</b>	<b>\$43,169.00</b>	<b>\$697,939.00</b>	<b>\$159,749.00</b>	<b>\$857,688.00</b>	<b>\$0.00</b>
<b>Disbursements</b>								
Certificated Salaries	\$32,541.00	\$33,528.00	\$33,528.00	\$33,528.00	\$363,430.00	\$3,673.00	\$367,103.00	\$0.00
Classified Salaries	\$12,102.00	\$12,557.00	\$12,557.00	\$12,557.00	\$134,984.00	\$1,364.00	\$136,348.00	\$0.00
Employee Benefits	\$11,684.00	\$11,902.00	\$11,902.00	\$11,902.00	\$130,700.00	\$659.00	\$131,359.00	\$0.00
Books and Supplies	\$2,609.00	\$4,275.00	\$4,275.00	\$4,275.00	\$32,777.00	\$4,275.00	\$37,052.00	\$0.00
Services and Other Operating	\$16,995.00	\$16,995.00	\$16,995.00	\$16,995.00	\$169,200.00	\$82,961.00	\$252,161.00	\$0.00
Capital Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Outgo	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Disbursements</b>	<b>\$75,840.00</b>	<b>\$79,167.00</b>	<b>\$79,167.00</b>	<b>\$79,167.00</b>	<b>\$831,091.00</b>	<b>\$92,935.00</b>	<b>\$924,026.00</b>	<b>\$0.00</b>
<b>Assets</b>								
Revolving Cash Account	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,100.00)
Cash with a Fiscal Agent/Trustee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Receivable	\$0.00	\$0.00	\$0.00	(\$4,180.00)	\$173,827.00	\$0.00	\$173,827.00	\$0.00
Due from Other Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Assets</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$4,180.00)</b>	<b>\$173,827.00</b>	<b>\$0.00</b>	<b>\$173,827.00</b>	<b>(\$1,100.00)</b>
<b>Liabilities</b>								
Accounts Payable (Current Liabilities)	\$41,071.00	\$0.00	\$0.00	(\$2,198.00)	\$174,614.00	\$0.00	\$174,614.00	\$0.00
Due to Grantor Governments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Due to Other Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Deferred Revenue	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Liabilities</b>	<b>\$41,071.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$2,198.00)</b>	<b>\$174,614.00</b>	<b>\$0.00</b>	<b>\$174,614.00</b>	<b>\$0.00</b>
<b>Ending Cash Balance</b>	<b>\$79,642.00</b>	<b>\$89,493.00</b>	<b>\$75,111.00</b>	<b>\$37,131.00</b>				



# CASH FLOW PROJECTIONS

Projection: Rocky Point (2009-10 First Interim)

Charter Schools Special Revenue Fund  
Cashflow  
Fiscal Year: 2010/11

Name	Object Code	Budget	Jul Projected	Aug Projected	Sep Projected	Oct Projected	Nov Projected	Dec Projected	Jan Projected	Feb Projected
<b>Beginning Cash Balance</b>			\$37,131.00	\$60,341.57	\$17,224.11	\$53,059.59	\$25,124.29	\$7,395.46	\$18,936.04	\$133,010.14
<b>Receipts</b>										
Revenue Limit Sources	8010 - 8099	\$650,130.00	\$18,819.00	\$16,130.00	\$70,390.00	\$21,507.00	\$38,665.00	\$71,075.00	\$126,362.00	\$23,414.00
Federal Revenues	8100 - 8299	\$33,037.79	\$0.00	\$0.00	\$0.00	\$1,651.00	\$0.00	\$3,302.00	\$3,302.00	\$3,302.00
Other State Revenues	8300 - 8599	\$154,814.09	\$3,750.00	\$3,750.00	\$6,750.00	\$6,897.00	\$21,179.00	\$11,359.00	\$8,470.00	\$21,179.00
Other Local Revenues	8600 - 8799	\$122,886.49	\$0.00	\$0.00	\$0.00	\$1,770.00	\$1,491.00	\$1,491.00	\$42,319.00	\$1,491.00
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 - 8979	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Receipts</b>		<b>\$950,868.37</b>	<b>\$22,569.00</b>	<b>\$19,880.00</b>	<b>\$77,140.00</b>	<b>\$31,825.00</b>	<b>\$64,637.00</b>	<b>\$87,227.00</b>	<b>\$180,453.00</b>	<b>\$49,386.00</b>
<b>Disbursements</b>										
Certified Salaries	1000 - 1999	\$386,612.26	\$5,833.21	\$28,369.61	\$35,463.56	\$34,001.78	\$35,802.61	\$34,522.93	\$34,001.78	\$34,238.77
Classified Salaries	2000 - 2999	\$129,103.54	\$2,146.60	\$10,084.15	\$10,442.02	\$11,820.72	\$12,105.65	\$11,174.94	\$11,734.48	\$11,174.94
Employee Benefits	3000 - 3999	\$138,695.15	\$2,229.94	\$10,882.58	\$12,354.55	\$12,806.42	\$13,103.09	\$12,290.05	\$11,673.42	\$12,622.65
Books and Supplies	4000 - 4999	\$36,193.09	\$403.41	\$2,184.98	\$3,109.93	\$2,391.06	\$4,341.81	\$3,232.04	\$540.15	\$737.43
Services and Other Operating	5000 - 5999	\$275,604.02	\$2,107.27	\$14,027.14	\$10,669.46	\$12,102.32	\$23,816.87	\$14,466.46	\$8,429.07	\$25,404.90
Capital Outlay	6000 - 6900	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Outlay	7000 - 7299	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 - 7699	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Disbursements</b>		<b>\$956,208.06</b>	<b>\$12,720.43</b>	<b>\$65,548.46</b>	<b>\$72,039.52</b>	<b>\$73,122.30</b>	<b>\$89,169.83</b>	<b>\$75,686.42</b>	<b>\$66,378.90</b>	<b>\$84,178.69</b>
<b>Assets</b>										
Revolving Cash Account	9130	\$1,100.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash with a Fiscal Agent/Trustee	9135	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Receivable	9200	\$159,749.00	\$31,949.00	\$21,138.00	\$49,322.00	\$31,949.00	\$25,391.00	\$0.00	\$0.00	\$0.00
Due from Other Funds	9310	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Assets</b>		<b>\$160,849.00</b>	<b>\$31,949.00</b>	<b>\$21,138.00</b>	<b>\$49,322.00</b>	<b>\$31,949.00</b>	<b>\$25,391.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Liabilities</b>										
Accounts Payable (Current Liabilities)	9500	\$92,935.00	\$18,587.00	\$18,587.00	\$18,587.00	\$18,587.00	\$18,587.00	\$0.00	\$0.00	\$0.00
Due to Grantor Governments	9590	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Due to Other Funds	9610	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Deferred Revenue	9650	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Liabilities</b>		<b>\$92,935.00</b>	<b>\$18,587.00</b>	<b>\$18,587.00</b>	<b>\$18,587.00</b>	<b>\$18,587.00</b>	<b>\$18,587.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Ending Cash Balance</b>			<b>\$60,341.57</b>	<b>\$17,224.11</b>	<b>\$53,059.59</b>	<b>\$25,124.29</b>	<b>\$7,395.46</b>	<b>\$18,936.04</b>	<b>\$133,010.14</b>	<b>\$98,217.45</b>

Projection: Rocky Point (2009-10 First Interim)

Charter Schools Special Revenue Fund  
Cashflow  
Fiscal Year: 2010/11

Name	Mar Projected	Apr Projected	May Projected	Jun Projected	YTD Actuals Plus Projected Cash	Accruals	Totals	Variance
<b>Beginning Cash Balance</b>	<b>\$98,217.45</b>	<b>\$72,917.38</b>	<b>\$79,266.01</b>	<b>\$59,691.64</b>				
<b>Receipts</b>								
Revenue Limit Sources	\$37,638.00	\$76,012.00	\$35,977.00	\$18,819.00	\$54,808.00	\$95,322.00	\$650,130.00	\$0.00
Federal Revenues	\$3,302.00	\$3,302.00	\$3,302.00	\$3,302.00	\$29,067.00	\$4,970.79	\$33,037.79	\$0.00
Other State Revenues	\$11,359.00	\$7,043.00	\$21,179.00	\$12,786.00	\$135,701.00	\$19,113.09	\$154,814.09	\$0.00
Other Local Revenues	\$1,491.00	\$2,515.00	\$1,491.00	\$1,866.00	\$55,925.00	\$66,961.49	\$122,886.49	\$0.00
Interfund Transfers In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Receipts</b>	<b>\$53,790.00</b>	<b>\$88,872.00</b>	<b>\$61,949.00</b>	<b>\$36,773.00</b>	<b>\$774,501.00</b>	<b>\$186,367.37</b>	<b>\$960,868.37</b>	<b>\$0.00</b>
<b>Disbursements</b>								
Certificated Salaries	\$34,270.47	\$35,413.68	\$35,413.68	\$35,413.68	\$382,745.76	\$3,866.50	\$386,612.26	\$0.00
Classified Salaries	\$11,458.97	\$11,889.92	\$11,889.92	\$11,889.92	\$127,812.23	\$1,291.31	\$129,103.54	\$0.00
Employee Benefits	\$12,336.52	\$12,567.44	\$12,567.44	\$12,567.44	\$138,001.54	\$693.61	\$138,695.15	\$0.00
Books and Supplies	\$2,547.34	\$4,175.56	\$4,175.56	\$4,175.56	\$32,017.53	\$4,175.56	\$38,193.09	\$0.00
Services and Other Operating	\$16,476.77	\$16,476.77	\$16,476.77	\$16,476.77	\$184,930.57	\$99,673.45	\$275,604.02	\$0.00
Capital Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Outgo	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All Other Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Disbursements</b>	<b>\$79,090.07</b>	<b>\$82,523.37</b>	<b>\$82,523.37</b>	<b>\$82,526.27</b>	<b>\$865,507.63</b>	<b>\$100,700.43</b>	<b>\$966,208.06</b>	<b>\$0.00</b>
<b>Assets</b>								
Revolving Cash Account	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,100.00)
Cash with a Fiscal Agent/Trustee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Receivable	\$0.00	\$0.00	\$0.00	\$0.00	\$159,749.00	\$0.00	\$159,749.00	\$0.00
Due from Other Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Assets</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$159,749.00</b>	<b>\$0.00</b>	<b>\$159,749.00</b>	<b>(\$1,100.00)</b>
<b>Liabilities</b>								
Accounts Payable (Current Liabilities)	\$0.00	\$0.00	\$0.00	\$0.00	\$92,935.00	\$0.00	\$92,935.00	\$0.00
Due to Grantor Governments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Due to Other Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Deferred Revenue	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Liabilities</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$92,935.00</b>	<b>\$0.00</b>	<b>\$92,935.00</b>	<b>\$0.00</b>
<b>Ending Cash Balance</b>	<b>\$72,917.38</b>	<b>\$79,266.01</b>	<b>\$59,691.64</b>	<b>\$12,938.37</b>				

## Cash Reporting Processes

The CashFlow Projections dated February 28, 2010, indicated that actuals are presented through the month of February with projections for March through June 2010. A review of the projections indicated that all of the actuals cash transactions for the month of February had not been included on the spreadsheet. In addition, a comparison of the Cash in County Report dated March 22, 2010, revealed that the ending cash balances for the months of September through January do not match the February 28, 2010, Projections. There is a discrepancy of approximately \$1,069 in each of these months. This discrepancy should be reviewed and the appropriate entries should be made to reconcile the difference between the two reports.

The February 28, 2010, CashFlow Projections included revenue and expense totals that matched the second interim financial report. However, the projections did not include totals for prior year transactions that affect cash, including accounts receivable and accounts payable. The cash flow spreadsheet should be updated to include these totals to help ensure that all transactions that affect cash are included in the projections and balance to the proper financial reports. In addition, the spreadsheet does not include a line reflecting the monthly net increase/decrease to cash. Including this information on the cash flow statement helps the reader to quickly analyze the change that occurs to cash monthly.

The charter school's CashFlow Projections reflect that in-lieu property taxes were not received in August 2009. Education Code Section 47635(b) states that the sponsoring local educational agency must transfer the in-lieu of property tax funds to the charter school by the 15<sup>th</sup> of each month and specifies the transfer schedule. The charter school should review this schedule and work with the district to ensure that funds are received per the schedule indicated in the Education Code.

## Recommendations

*The charter school should:*

1. Monitor its current year and subsequent year cash flow at least monthly.
2. Ensure that cash flow projections are presented to the governing board at each reporting period.
3. Work with its authorizing school district to determine the borrowing options that are available if funds are needed for cash flow purposes.
4. Reconcile the difference between the February 28, 2010, CashFlow Projections and the Cash in County Report.
5. Update the cash flow projections to include totals for prior year transactions that affect cash.
6. Consider including a line reflecting the monthly net increase/decrease to its cash flow projections.
7. Review the funding schedule for in-lieu property taxes included in Education Code Section 47635(b) and work with the district to ensure that funds are received as specified by the Education Code.



# Appendices

## Appendix A - Study Agreement





**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
December 9, 2009**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Rocky Point Charter School, hereinafter referred to as the Charter, mutually agree as follows:

**1. BASIS OF AGREEMENT**

The Team provides a variety of services to school districts, county offices of education, charter schools, and community colleges upon request. Senate Bill 430 (2005) and Education Code 42127.8 (d) (1) established the ability of a charter school to request management assistance services by the Team. The Charter has requested that the Team provide for the assignment of professionals to study specific aspects of the Rocky Point Charter School 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) Review the Charter’s 2009-10 general fund budget and provide a multiyear financial projection for the two subsequent fiscal years from 2010-11 through 2011-12. The MYFP will include a cash flow component and include projections for 2009-10 and 2010-11 for the purpose of validating the assumptions used by the Charter to develop the data.

The Team will provide recommendations for changes, as necessary. Completion of the scope of work by the Team is contingent on the ability of the Charter to deliver all supporting documentation within the requested timeline.

FCMAT will conduct fieldwork at the charter's sponsoring agency, Gateway Unified School District and will coordinate the scheduling of this job during the same week of fieldwork.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the Charter to brief Charter management and staff on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct on-site meetings at the Charter office to gather documentation and conduct interviews. The Team will request assistance from the Charter in setting up interview schedules with staff and compiling the requested documentation.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site reviews to inform the Charter representatives 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 electronically to the Charter administration for review and comment.
- 6) Final Report – An electronic version of the final report will be delivered to the Charter following completion of the review. Up to 15 hardcopies of the final report will be provided to the Charter, if requested.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the Charter, if requested, to confirm the Charter's progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the Charter in a FCMAT Management Letter.



### 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. *Diane Branham, FCMAT Fiscal Intervention Specialist*
- B. *Julie Auvil, 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 is estimated at \$3000. The Charter will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the Charter.
- C. Any change to the scope will affect the estimate of total cost.

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

### 5. **RESPONSIBILITIES OF THE CHARTER**

- A. The Charter will provide office and conference room space while on-site reviews are in progress.
- B. The Charter 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 (2) prior year's audit reports
  - 5) Any documents requested on a supplemental listing

- C. The Charter Administration will receive an electronic draft copy of the preliminary report for review. Any comments from the Charter regarding the accuracy of the data presented in the report will be reviewed by the Team prior to completion of the final report.

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

6. **PROJECT SCHEDULE**

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

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Interview:	to be determined
Preliminary Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined
Follow-Up Support:	If requested

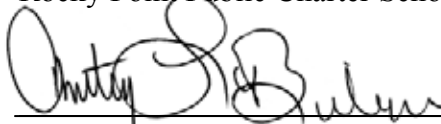
7. **CONTACT PERSON**

Name of contact person: Deborah Stierli, Executive Officer

Telephone 530-225-0456 FAX

Internet Address: [ddstierli@clearwire.net](mailto:ddstierli@clearwire.net)

\_\_\_\_\_  
Deborah Stierli, Executive Officer Date  
Rocky Point Public Charter School

  
\_\_\_\_\_  
Anthony L. Bridges, Deputy Executive Officer Date  
Fiscal Crisis and Management Assistance Team  
December 9, 2009