



CSIS California School Information Services

April 13, 2011

Debra LaVoi, Ed.D., Superintendent
Woodland Joint Unified School District
435 Sixth Street
Woodland, CA 95695

Dear Superintendent LaVoi:

In accordance with the study agreement between Woodland Joint Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) amended March 2, 2011, FCMAT has completed a multiyear financial projection. The purpose of this letter is to confirm the team's findings and recommendations.

The amended scope and objectives of this study included the following:

1. Conduct an independent analysis and review of the second interim financial report and complete a multiyear financial projection and cash flow statement using Budget Explorer software. The FCMAT team will make recommendations regarding the deficit spending trends and propose options to enhance revenues or reduce expenditures to sustain the district's 3% reserve.
2. Upon completion of the independent analysis, the team will meet with the district superintendent and bargaining unit members to discuss and review the findings.

FCMAT conducted fieldwork on March 8 and 9, 2011 and conducted off-site field work during the months of March and April. To assess the financial condition of the district, 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 AB 602 funding documents, 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 sources of revenue funding are verified; salary and benefit projections are based on actual payroll records for the month of February; 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.

FCMAT

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Background

Declining enrollment and reductions in state funding over the last several years have placed the district in a difficult financial position. Woodland Joint Unified USD is similar to many districts throughout the state in that these two factors have required the district to make considerable budget adjustments.

The state fiscal crisis has led to eight emergency legislative sessions. Each session has resulted in deep mid-year cuts, or significant reductions for subsequent fiscal years for local educational agencies. Districts that maintained large reserves and proactively managed budget assumptions were better able to navigate this budget crisis. Districts that were slow to react, or had flawed assumptions, increased encroachments or substantial declining enrollment are now forced to make drastic cuts to stay fiscally solvent.

FCMAT has developed a list of 11 indicators of fiscal distress for school agencies that are referenced in Assembly Bill 2756 and Education Code Sections 42127 and 42127.6. FCMAT has identified several of these conditions exhibited by Woodland Joint Unified School District including:

- Inadequate Budget Development
 - Failure to recognize year-to-year trends
 - Flawed ADA projection
 - Flawed multiyear projections
 - Inaccurate revenue and expenditures estimations
- Limited Budget Monitoring & Cash Flow Analysis
 - Poor cash flow analysis and reconciliation
 - Failure to review management control reports
 - Failure to review actual expenditures and trends with budget assumptions
 - Not updating grant and entitlement amounts per California Department of Education (CDE) website
 - Inadequate business system controls and access to the financial system by unauthorized users
- Ineffective Management Information Systems
 - Staff not adequately trained to retrieve correct system reports for management's review and decision making
 - Untimely personnel, payroll, and budget control data and reports
- Inattention to Categorical Programs
 - Escalating general fund encroachment
 - Lack of regular monitoring
 - Excessive carryover balances at year end
- Leadership Breakdown - Business Office
 - Ineffective or limited oversight supervision
 - Lack of highly trained personnel to review budget, project cash flows, revenues and expenditures

The following factors have been identified by Yolo County Office of Education and confirmed by FCMAT:

- Inadequate cash reserve levels to maintain internal county office targets of six months' worth of payroll
- Concerns that the district monitor cash flow, including the impact of new cash deferrals and negative cash balances at various times throughout the fiscal year
- Negative cash balances in other funds
- Not receiving official reports from the district's financial system
- Untimely financial reporting to the county office
- Flawed assumptions
 - multiyear enrollment projections
 - not properly accounting for charter school growth in multiyear projections

FCMAT made several significant adjustments to the 2010-11 second interim report to correct inaccurate projections. The team made major adjustments to correct inaccurate budgeting practices that overstated and understated several income sources and expenditures categories.

Direct oversight is lacking in the business office, and combined with an insufficient level of technical competence has led to flawed budget assumptions, inaccurate budget projections, duplication of revenues and poor enrollment projections.

During the 2010-11 budget reductions, the district eliminated the business department supervisor position and has had a vacancy for the director of fiscal services position for several months. The district's business functions form the foundation for sound financial reporting and management. Together with the chief business officer position, the supervisor and director perform the highly technical duties and responsibilities of budget development, monitoring and adjustments; perform complex financial calculations and projections; prepare year-end closing procedures; assist with the auditors; and oversee the day-to-day business functions of the district. The district is currently in an extremely vulnerable position and it is highly recommended that the district review the staffing structure in the business department.

Multiyear Projections - Assumptions

Multiyear financial projections are required by AB 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.

Long-term financial planning is crucial and will help the district strategically align its budget with its instructional goals and programs. The district needs to recognize financial trends in a timely manner to incorporate these trends in the MYFP and avoid fiscal insolvency. Monitoring and analyzing year-over-year trends in key budget areas will help the district highlight possible areas of concern and 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 had 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, as projected revenue information from the state changes frequently. However, the MYFP 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.

Reserves for Economic Uncertainty

The purpose of a financial reserve is not only to provide economic reserves; more important, a reserve gives the district financial stability during difficult economic times. A reserve may be composed of many categories in addition to cash. For example, the reserve may include stores inventory, accounts receivable, prepaid expenses, accounts payable, amounts due to other funds, and deferred revenue. Although the reserve requirements have been lowered, the district still needs ensure that there is sufficient cash available at any time to meet its payroll and other obligations. Therefore, the decision to reduce the reserve requirement is complex. The district must weigh how much, if any, to lower the reserve against presenting a budget that may result in the district having a qualified status under AB 1200.

To help protect local educational agencies against economic uncertainties prior to the state's budget crisis, the state mandated that school districts with average daily attendance (ADA) of between 30,001 and 400,000 maintain a reserve level equal to not less than 2% of the unrestricted general fund. Districts with ADAs of between 1,001 and 30,000 must maintain reserve levels for economic uncertainties of not less than 3% normally. However, the state has relaxed this requirement for the current and two subsequent fiscal years and only requires that districts make progress in restoring the full reserve requirement effective in the 2013-14 fiscal year. The district's governing board has directed staff to maintain the current reserve requirement of 3% for fiscal year 2011-12 and beyond. FCMAT utilized a 3% reserve level in 2010-11 and 2011-12, but reduced the reserves in the third fiscal year to 1.05% to reduce the effect of the negative ending fund balance. FCMAT recommends that the district maintain a reserve level sufficient to ensure the availability of cash to meet obligations and sufficient to avoid an adverse effect on the district under the requirements of AB 1200.

Recently, the state has authorized continued flexibility of the reserve requirement for the current and subsequent fiscal years. For the current and subsequent two fiscal years, the district could adjust the reserve requirement down to one-third, or 1% as a temporary solution to balance the budget.

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 intent of the MYFP is to assist the county and the district in formulating a 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 because economic indicators will change rapidly as California continues to struggle to balance its budget. The district should be prepared to adjust its budget when the extraordinary budget session concludes.

Many districts are challenged to maintain the required reserve levels given the severity of the budget cuts and deficits on the revenue limit. The following table shows the deficit amounts and percent of deficit for the current and subsequent two fiscal years for Woodland Joint Unified School District.

Fiscal Year	Deficit Percent of Revenue Limit	Dollar Impact	Total Impact Over Three Years
2010-11	17.963%	(\$11,537,230)	
2011-12	19.608%	(\$12,699,238)	
2012-13	19.608%	(\$12,691,111)	
Total			(\$36,927,579)

The deficit percentage amount is that percentage which will not be funded from the state in that fiscal year. For example, based on the chart above, in 2010-11 Woodland JUSD will receive only \$0.82 on the dollar (\$1.00 minus 17.963 cents), with a commitment to pay the residual in better economic times.

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 the third fiscal year and will have a negative ending fund balance.

All districts are projected to receive a \$330 per ADA reduction in revenue limit funding for the 2011-12 and 2012-13 fiscal years due to the failed budget negotiations between the Governor and the Legislature to place an initiative on the ballot that would have extended tax increases. This is in addition to the \$19 per ADA cut that was already enacted in the budget by raising the deficit from 17.963% to 19.608%. Both of these cuts are incorporated in the multiyear financial projection prepared by FCMAT.

If an initiative to extend the tax increases is not on the November ballot or if it is but is not ultimately supported by the electorate, this will become a real cut to the district, resulting in a loss of \$3,240,900 in 2011-12 and another \$3,181,368 in 2012-13. Together with the deficits in the table above and the ADA cuts, the district will lose a total of \$43,349,947 over the three fiscal years, as presented in FCMAT's multiyear fiscal projection.

The governing board and administration will need to make and implement difficult decisions immediately.

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

2010-11

Funded average daily attendance – prior year ADA due to declining enrollment	9,902.14
Revenue limit funding before deficit	\$64,227,744
Revenue limit funding after deficit of 17.963%	\$52,690,514
Total estimated loss in funding from deficit	\$11,537,230
Step and column increases - certificated	1.97%
Step and column increases - classified	1.78%
Cost of living adjustment - salary	0%
Health and welfare percentage increase	0% - Hard cap
State cost of living adjustment – revenue limit	-.39%
Unrestricted lottery	\$112.50
Restricted lottery	\$17.50
Consumer Price Index	1.20%
Interest rate – return on investments	3.20%
Reserve percentage	3.0%
Transfer to adult education fund	\$1,119,376
Transfer to deferred maintenance fund	\$381,902
Indirect cost rate	5.96%
Encroachment to special education (includes Resources 3310 & 6500)	\$4,504,334
Encroachment to transportation home-to-school and special education	\$1,156,238
Other encroachments	\$2,541,485

2011-12

Funded average daily attendance – prior year ADA due to declining enrollment	9,820.91
Revenue limit funding before deficit	\$64,765,598
Revenue limit funding after deficit of 19.608%	\$52,066,360
Total estimated loss in funding from deficit	\$12,699,238
\$330 cut per ADA	\$3,240,900
Step and column increases - certificated	1.97%
Step and column increases - classified	1.78%
Cost of living adjustment - salary	0%
Health and welfare percentage increase	0% - Hard cap
State cost of living adjustment – revenue limit	1.67%
Unrestricted lottery	\$111.00
Restricted lottery	\$17.50
Consumer Price Index	1.70%
Interest rate – return on investments	3.80%

Reserve percentage	3.0%
Transfer to adult education fund	\$1,119,376
Transfer to deferred maintenance fund	\$0
Indirect cost rate	5.96%
Encroachment to special education (includes Resources 3310 & 6500)	\$4,727,445
Encroachment to transportation home-to-school and special education	\$1,193,406
Other encroachments	\$4,793,980

2012-13

Funded average daily attendance – prior year ADA due to declining enrollment	9,640.51
Revenue limit funding before deficit	\$64,724,148
Revenue limit funding after deficit of 19.608%	\$52,033,037
Total estimated loss in funding from deficit	\$12,691,111
\$330 cut per ADA	\$3,181,368
Step and column increases - certificated	1.97%
Step and column increases - classified	1.78%
Cost of living adjustment - salary	0%
Health and welfare percentage increase	0% - Hard cap
State cost of living adjustment – revenue limit	1.80%
Unrestricted lottery	\$110.00
Restricted lottery	\$17.20
Consumer Price Index	2.20%
Interest rate – return on investments	4.10%
Reserve percentage	1.05%
Transfer to adult education fund	\$1,119,376
Transfer to deferred maintenance fund	\$0
Indirect cost rate	5.96%
Encroachment to special education (includes Resources 3310 & 6500)	\$4,912,898
Encroachment to transportation home-to-school and special education	\$1,221,887
Other encroachments	\$4,929,649

Significant Adjustments

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

Category	Dollar Amount/ Impact - Revenue	Dollar Amount/ Impact - Expenditure	Issue	Type of Adjustment
Salaries and benefits – unrestricted general fund		Salary \$1,109,934 Benefits <u>\$443,066</u> Total <u>\$1,553,000</u>	Increase to unrestrict- ed certificated salaries	All years
Net adjustments for unrestricted certifi- cated salaries		\$515,752	Net adjustment	All years
Restored 1% certificat- ed management salary beginning 2011-12		\$41,863	Temporary reduction in pay for 2010-11 was restored in 2011-12	2011-12 and 2012- 13
Restored 5 furlough days – superintendent		\$3,850	Temporary reduction in pay for 2010-11 was restored in 2011-12	2011-12 and 2012- 13
10 FTE CSR teachers		(\$607,280)	Reduction of 10 CSR teachers beginning in 2011-12 due to increase in class size to 32:1	2011-12 and 2012- 13
10 FTE teachers		\$607,280	Increase of 10 high and middle school teachers beginning in 2011-12 for intensive instruction	2011-12 and 2012- 13
4 FTE teachers		(\$242,912)	Increased enrollment at dependent charter school	2011-12 and 2012- 13
3 FTE teachers		(\$182,184)	New independent char- ter high school	2011-12 and 2012- 13
General fund unre- stricted- 4100 object		\$260,000		To cover book purchases with no budget - current year only
General fund unre- stricted – 5600 object		(\$225,000)		Excess budget in rentals and leases - current year only. New COPS to replace lease beginning 2011-12
Unrestricted -5811 object		(\$75,000)		Reduce elections budget – 2011-12 year only
Unrestricted – 5900 object		\$60,100	To cover expenditures year to date and pro- jected through June	

Category	Dollar Amount/ Impact - Revenue	Dollar Amount/ Impact - Expenditure	Issue	Type of Adjustment
Interest Income	(50,000)		Recalculated interest earnings	All years
Class Size Reduction	\$81,574		Recalculated - current year	All years
Other State Apportionments	(\$247,004)		Verification of 30 separate state programs	All years
State apportionments – adult education pass-through	(\$72,363)		Adult education revenue adjusted to actual entitlement	All years
Lottery – Resource 1100 -unrestricted	\$22,200		Miscalculated	All years
Lottery – Resource 6300 -restricted	\$52,824		Miscalculated	All years
Title I – ARRA – Resource 3011	(\$246,949)		Revenue received was balance due on one-time money; instead, revenue budget was increased	Current year only
NCLB – Title I, Even Start – Resource 3105		\$32,900	Increased salary and benefit budget to cover actual payroll costs – offset supplies	All years
State Fiscal Stabilization Fund – Resource 3200	\$472,822		New money – final 10% of allocation	Current year only
IDEA Special Education, Part B – Resource 3310	(\$50,677)		Corrected budget to SELPA spreadsheet	All years
IDEA Special Education, Part B – Resource 3310		(\$333,000)	Salaries and benefits are overstated	All years
Special Education – Resource Tuition 6500	(\$77,600)		Reduced to actual prior year billings to other districts	All years
Special Education – Resource 6500	\$89,929		Corrected budget to SELPA spreadsheet	All years
Special Education – Resource 6500		(\$165,000)	Salaries and benefits are overstated	All years
Special Education – Resource 6500		(\$575,000)	Professional services are overstated	All years
Special Education – Resource 6500		(\$165,000)	Supplies are overstated	All years
NCLB, Title V – Resource 4110	(8,701)	(\$8,701)	No current year funding	All years

Category	Dollar Amount/ Impact - Revenue	Dollar Amount/ Impact - Expenditure	Issue	Type of Adjustment
NCLB, Title II, Teacher Quality – Resource 4035		\$85,470	Salaries and benefits are understated	All years
NCLB, Title II, Teacher Quality – Resource 4035		(\$92,470)	Supplies overstated – moved to adjust for salaries and benefits	All years
NCLB, Title II, Teacher Quality – Resource 4035		\$43,060 and \$51,888	Encroachment	2011-12 and 2012- 13
NCLB, Title II, Principal Training – Resource 4036	(\$12,647)	(\$9,435)	To adjust revenue and expense to current year award plus car- ryover	Current year only
NCLB, Title II, Enhancing Technology – Resource 4045	(\$5,711)		Revenue was prior year award	Current year only
Medi-Cal billing option – Resource 5640		\$172,072 and \$176,220	Encroachment	2011-12 and 2012- 13
Early mental health – Resource 6250	\$6,400		To adjust revenue to current year award	All years
English Language Acquisition Program – Resource 6286	(\$108,178)		Program funding shifted to EIA for 2010-11	All years
Economic Impact Aid – Resource 7090 and 7091	(\$128,802)		Adjusted current year revenue entitlement and expenditures ac- cordingly	Current year

Special Notations

- FCMAT received several different schedules that calculated various amounts for the revenue limit. One schedule had current year ADA instead of prior year, which was lower. The district is entitled to take the higher of the current or prior year. In addition, staff projected a flat enrollment over the multiyear projection even though the district has been in declining enrollment for several years. Declining enrollment and an increase in charter school enrollment significantly impacts the revenue limit. Staff should take great care in developing enrollment projections and account for the projected loss from charter school enrollment in subsequent fiscal years.
- During the budget adoption process for 2010-11, negative entries were used as “placeholders” for the board approved staffing reductions from 2009-10 to 2010-11. Once the individual employees were identified for layoff, the position control system was adjusted in the Human Resources department, which updated the working budget in the Business department. After the working budget was updated with the latest position control records, the negative placeholders should have been removed by the business department but were not; therefore, the current budgeted expenditures were understated by \$1,553,000 in salaries and benefits.

- The current budget practice for class size reduction is to budget revenue in the resource but not the salary and benefits expenditures. FCMAT recommends that the district budget class size reduction teachers in the appropriate resource.
- California uses a Standardized Account Code Structure (SACS) for all school districts for comparison and reporting purposes. Instead of utilizing the defined object code to identify various expenditure categories, the district uses a series of type codes. Type codes are normally used for district discretionary accounting. The example below demonstrates how SACS should work as compared with the current coding system used by staff:

Category	SACS Object Code	District Coding with Object/Code Combination
Teacher	1100	1100-0000
Substitute Teacher	1160	1100-0020

Utilizing an account code structure different from industry practice will make comparison reporting difficult. The district should utilize the account code structure as intended.

- The business office created account codes to estimate beginning fund balance with an offset to an expenditure account. Both accounts are non-existent in the current SACS structure. There is a high possibility that system reports could be generated that include these accounts, and the accounts do not balance within individual resource categories. In fact, the accounts do not balance over the entire general fund. This practice should cease. The table below are existing totals consolidated by fund:

Fund	Revenue 8000-0000	Expense 7900-91XX
General Fund	\$1,415,099	\$4,969,599
Child Development	22,641	25,141
Cafeteria Fund	707,894	723,142
Deferred Maintenance Fund	0	115,936
Capital Facilities Fund – Developer Fees	0	(53,362)
Capital Facilities – Southeast Area	0	(7,806)
Total	\$2,145,634	\$5,772,650

- Lottery – Unrestricted – Resource 1100: Large carryovers year-to-year. The district needs to move unrestricted expenditures that represent items that are not ongoing to this resource. Carryover from 2009-10 to 2010-11 was \$296,028.
- Lottery – Restricted – Resource 6300: Carryover balances are excessive. The district needs to move appropriate expenditures to this resource. Carryover from 2009-10 to 2010-11 was \$24,524.
- NCLB – Title I, PI-LEA Corrective Plan – Resource 3185: The district must expend these dollars by August 31, 2011. The district may have \$162,000 available beyond what is currently budgeted and obligated for the current year.
- State Fiscal Stabilization Fund – ARRA - Resource 3200: The district must expend these dollars by September 30, 2011. The district may have \$1.8 million available beyond what is currently

budgeted. Therefore, FCMAT moved 23.33 FTE teachers from unrestricted to utilize these funds totaling \$1,726,057.

- Federal Education Jobs Fund – Resource 3205: The district must expend these funds no later than September 30, 2012. Therefore, FCMAT moved 16.45 FTE teachers in 2011-12 to utilize these funds totaling \$1,217,799. These funds are restricted to salaries and benefits only; therefore, the budget for services of \$29,600 was removed. The district will need to re-encumber this expenditure in another resource.
- Special Education – Basic Grant – Resource 3310: Currently, the district transfers funds from three federal special education accounts into Resource 3310, and all expenditures are charged to this resource. Resource 3310 is the basic federal entitlement, 3315 is the preschool grant, 3320 is the local preschool entitlement and 3345 is the preschool staff development grant. The district is unable to properly track the actual use of these individual resource expenditures under the current methodology. The district should expend funds out of the appropriate resource category.
- IDEA Special Education, Private School – Resource 3311: Monies in the current year are carryover funds only. Salaries and benefits totaling \$35,268 will need to be moved to another resource.
- IDEA Special Education, ARRA – Resources 3313, 3319 and 3324: The district must expend these dollars by September 30, 2011. The district may have \$490,000 available in Resource 3313 beyond what is currently budgeted and obligated for the current year. Resource 3319 has no expenditures year-to-date and has an available balance of \$93,631. Resource 3324 has \$41,000 available in supplies as of January 31, 2011. All three of these accounts should be monitored closely to ensure that the district utilizes them timely and in accordance with the grant requirements.
- Carl Perkins – Resource 3550: This grant does not allow carryover. As of January 31, 2011, the district has \$31,369 available to spend in the supplies and services categories.
- Drug Free Schools – Resource 3710: This grant has been discontinued. FCMAT increased the salary and benefit categories in the current year and eliminated approximately \$10,000 in 2011-12 and 2012-13. The district will need to adjust for these salaries in another resource category for 2011-12 and 2012-13. The district has approximately \$18,000 of unexpended funds in the supply account.
- NCLB, Title II, Teacher Quality – Resource 4035: Large encroachments in 2011-12 and 2012-13. The district will need to move payroll expenditures to other resources to reduce encroachment.
- NCLB – ARRA – EETT, Competitive Grant – Resource 4048: Grant award for \$50,000 with no expenditures to date. The district will need to expend these funds by September 30, 2011.
- NCLB – Innovative Strategies – Resource 4110: The district has not received funding for this grant since 2008-09 and is not anticipated to receive any new funding in the current year. Revenue and expenditures of \$8,701 was eliminated from the budget.
- NCLB, Title III, Limited English Proficiency – Resource 4203: The revenue for the current year was increased \$1,993 to reflect entitlement. Carryover balances from year to year are excessive. In the current year, approximately \$150,000 remains unspent in supply and service accounts.

- NCLB, Title X, Homeless Assistance Grant – Resource 5630: Current award of \$28,105 with no expenditures to date.
- Medi-Cal Billing Option – Resource 5640: Large encroachments in 2011-12 and 2012-13. The district will need to move payroll expenditures to other resources to reduce encroachment.
- After School Learning and Safe Neighborhood Partner (ASES) – Resource 6010: Approximately \$120,000 unexpended in supply budget.
- Early Mental Health Initiative – Resource 6250: The district needs to adjust excess budget in salaries and benefits of approximately \$55,000 and supplies of approximately \$85,000 to cover overages in services of \$65,000 and expend the balance.
- English Language Acquisition Program – Resource 6286: The program was eliminated in 2010-11 and the funding was shifted to Economic Impact Aid (EIA). The revenue budgeted of \$108,178 was eliminated for the current year as this amount is already included in the EIA funding. Salaries and benefits for 2011-12 and 2012-13 coded under this resource must be moved to EIA, which will cause an encroachment of approximately \$40,000 in each year unless the district moves these salaries to another resource. Current year expenditures should be moved to the EIA category.
- English Language Acquisition Pilot Program – Resource 6287: The program was eliminated in 2010-11 and the funding was shifted to EIA. There is no budget, but salary and benefits totaling \$18,225 are being paid under this resource. The district needs to move the carryover funds of \$18,225 to cover these expenditures and move salaries and benefits in future years to the EIA account.
- Special Education – Resource 6500: The district provides services to other districts. The billings for 2009-10 were \$251,751, but only \$84,106 was collected. FCMAT adjusted the budget by \$77,600 in the current year for this category. Staff should monitor accounts receivable billings to ensure proper payments are received.
- Several categories were over budgeted as compared with the prior year trends and the current year expenditures to date. FCMAT made several adjustments that lowered the encroachment by \$905,000 in each of the three fiscal years. The district should evaluate the program costs and budget accordingly.
- Economic Impact Aid – Resource 7090 and 7091: The total entitlement for EIA in 2010-11 is \$1,674,448. This amount is distributed between the two resources in accordance with the district's allocation plan. The revenues for the combined resources were overstated by \$128,802; however, there was significant carryover to offset the revenue adjustment. In addition, the district has approximately \$600,000 excess funds in the supply account. The district will need to reduce expenditures in future years of approximately \$200,000 to other resources unless the remaining dollars from the current year are carried over. The district will also need to incorporate the salaries and benefits from the English Language Acquisition Program as previously mentioned.
- Special Education Transportation – Resource 7240: The district has an interagency contract to provide special education transportation services for Davis Unified School District. The projected income for six bus routes is \$563,322 annually. During FCMAT's fieldwork, Davis USD notified the district of its intent to continue the contract through 2011-12. Should the contract cancel

in 2012-13, the district will need to make adjustments in staffing to minimize the impact to the unrestricted general fund.

- School Safety Grants – (Douglas and Lee schools) – Resource 7391: These funds must be spent by June 30, 2011. The district has unexpended funds of \$75,000 in the supply budget categories.
- Deferred Maintenance – Interfund Transfer: FCMAT removed the deferred maintenance transfer of \$381,902 in 2011-12 and 2012-13 to reduce deficit spending. The requirement that the district set aside one-half of 1% was suspended through 2012-13.
- Restricted Routine Maintenance: The district maintains a 3% routine maintenance contribution in the general fund. The requirement under the flexibility is 1% through the 2012-13 fiscal year.
- District Reserves – The waiver of the requirement to set aside 3% reserve for economic uncertainty has been extended for two additional years, which reduces the requirement to 1% in all three fiscal years. The district should consider this option, especially in 2012-13.

One-Time Revenues and Expenditures

The following table shows federal and state resources that are either one-time grants or entitlements, or will no longer be funded in future years. Assuming that the district has no plans to lay off employees in these resources, the salaries and benefits must be moved to other resource categories in 2011-12 and beyond.

Woodland Joint Unified School District Schedule of One-Time Funding Sources and/or Grants That Will No Longer Be Funded After 2010-11 Federal and State Grants and Entitlements

Fiscal Year	Certificated	Classified	Benefits	Totals
Fiscal Year 2011-12				
Resource Code	1000 - 1999	2000 - 2999	3000 - 3999	
3011	\$276,567.11	\$16,816.09	\$36,056.05	\$329,439.25
3105	\$0.00	\$90,735.85	\$20,410.59	\$111,146.44
3200	\$672,773.58	\$144,304.70	\$132,354.30	\$949,432.58
3313	\$209,705.39	\$3,514.46	\$23,038.84	\$236,258.69
3324	\$16,919.88	\$0.00	\$2,152.83	\$19,072.71
3710	\$9,661.88	\$535.80	\$1,059.55	\$11,257.23
4047	\$5,880.89	\$33.59	\$729.10	\$6,643.58
5635	\$0.00	\$10,647.21	\$4,374.21	\$15,021.42
7220	\$22,430.34	\$3,460.52	\$3,694.81	\$29,585.67
7391	\$27,151.58	\$92,325.66	\$29,830.52	\$149,307.76
Total All Resources	\$1,241,090.66	\$362,373.88	\$253,700.80	\$1,857,165.33

Fiscal Year 2012-13				
Resource Code	1000 - 1999	2000 - 2999	3000 - 3999	
3011	\$282,015.48	\$17,115.42	\$36,532.20	\$335,663.10
3105	\$0.00	\$92,350.95	\$20,628.97	\$112,979.92

3200	\$686,027.22	\$146,873.32	\$134,233.39	\$967,133.93
3313	\$213,836.59	\$3,577.02	\$23,491.39	\$240,905.00
3324	\$17,253.20	\$0.00	\$2,192.42	\$19,445.62
3710	\$9,730.08	\$545.33	\$1,074.70	\$11,350.11
4047	\$5,988.86	\$34.19	\$742.45	\$6,765.50
5635	\$0.00	\$10,836.73	\$4,413.08	\$15,249.81
7220	\$22,872.22	\$3,522.12	\$3,746.61	\$30,140.95
7391	\$27,686.47	\$93,969.06	\$30,248.46	\$151,903.99
Total All Resources	\$1,265,410.12	\$368,824.14	\$257,303.67	\$1,891,537.93

Encroachments

The general fund is divided by unrestricted and restricted programs. With the exception of programs that normally encroach due to insufficient funding, such as special education, student transportation and restricted routine maintenance, other specially funded programs should be self-supporting. When a restricted program requires additional funding support from the unrestricted general fund, that program is encroaching.

The following table shows all projected encroachments by program for all three fiscal years. The district should monitor encroachments carefully to ensure that program costs stay within program revenues. Special education and student transportation normally encroach on the district's unrestricted general fund; however, these programs should also be closely monitored.

Woodland Joint Unified School District, Encroachments on the Unrestricted General Fund, for Fiscal Years 2010-11 through 2012-13

Name	Resource Code	2010 - 11	2011 - 12	2012-13
Unrestricted Resources				
Unrestricted	0000	(\$8,202,057.54)	(\$10,714,831.13)	(\$11,064,433.80)
Total Unrestricted		(\$8,202,057.54)	(\$10,714,831.13)	(\$11,064,433.80)
Restricted Resources Encroaching on the Unrestricted General Fund				
Community Day Schools	2430	\$104,591.00	\$100,145.78	\$94,408.52
NCLB-Title I, Part A, Basic Grants Low Income and Neglected	3010	\$0.00	\$113,040.56	\$166,026.70
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly P	3310	\$1,441,677.07	\$1,494,080.97	\$1,547,420.79
NCLB: Title II, Part A, Teacher Quality	4035	\$0.00	\$43,059.61	\$51,888.47
Medi-Cal Billing Option	5640	\$0.00	\$172,071.61	\$176,220.31
Small Learning Community & Other Small Grants	5810	\$0.00	\$0.00	\$0.00
Other Federal: FCMAT Adjustment-Salaries Sweep	5999	\$0.00	\$1,678,272.00	\$1,709,493.00

English Language Acquisition Program, Teacher Training & Student Assistance	6286	\$0.00	\$36,911.74	\$37,610.97
English Language Learner Acquisition and Development Pilot	6287	\$0.00	\$15,387.27	\$15,690.40
Special Education	6500	\$3,062,657.47	\$3,233,364.28	\$3,365,477.28
Transportation: Home to School	7230	\$540,566.00	\$556,778.00	\$567,362.00
Transportation: Special Education (Severely Disabled/Orthopedically Impaired)	7240	\$615,672.00	\$636,628.01	\$654,525.00
Other State: FCMAT Adjustments - Salary sweep	7899	\$0.00	\$178,893.00	\$182,045.00
Ongoing & Major Maintenance Account (RMA: Education Code Section 17070.75)	8150	\$2,436,894.00	\$2,456,198.30	\$2,496,265.36
Total Restricted		\$8,202,057.54	\$10,714,831.13	\$11,064,433.80

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 AB 602 funding documents, historical trends, and many other financial records and third party documentation.

Salary and benefit projections are based on actual payroll records for the month of February. 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; and long-term contracts and/or agreements have been verified against district supplied documentation.

Woodland Joint Unified School District – MYFP
Unrestricted Resource Summary
Reserve Levels: 3%, 3% and 1.05%

LEA: Woodland Joint Unified
 Projection: 2010-11 2nd Interim Woodland Joint USD 3-Year Projection

General Fund/County School Service Fund
Unrestricted Resources Only
Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues				
Revenue Limit Sources	8010 - 8099	\$51,860,617.73	\$47,878,557.99	\$47,886,488.92
Federal Revenues	8100 - 8299	\$19,057.00	\$19,000.00	\$19,000.00
Other State Revenues	8300 - 8599	\$7,837,913.00	\$7,675,234.47	\$7,774,042.64
Other Local Revenues	8600 - 8799	\$659,425.25	\$665,125.25	\$671,508.95
Total Revenues		\$60,377,012.98	\$56,237,917.71	\$56,351,040.51
Expenditures				
Certificated Salaries	1000 - 1999	\$28,553,068.00	\$29,160,168.81	\$30,731,550.52
Classified Salaries	2000 - 2999	\$6,862,175.00	\$6,997,016.59	\$7,117,378.89
Employee Benefits	3000 - 3999	\$7,868,217.53	\$7,975,334.18	\$8,293,838.02
Books and Supplies	4000 - 4999	\$1,452,045.52	\$1,192,032.40	\$1,211,291.96
Services and Other Operating	5000 - 5999	\$4,882,357.73	\$5,063,401.71	\$5,238,502.76
Capital Outlay	6000 - 6900	\$10,358.00	\$10,534.09	\$10,765.84
Other Outgo	7000 - 7299	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 - 7399	(\$695,640.00)	(\$564,301.00)	(\$565,228.00)
Debt Service	7430 - 7439	\$500,442.00	\$465,130.00	\$257,804.00
Total Expenditures		\$49,433,023.78	\$50,299,316.78	\$52,295,903.99
Excess (Deficiency) of Revenues Over Expenditures		\$10,943,989.20	\$5,938,600.93	\$4,055,136.52
Other Financing Sources/Uses				
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$1,501,278.00	\$1,119,376.00	\$1,119,376.00
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	(\$8,202,057.54)	(\$10,714,831.13)	(\$11,064,433.80)
Total Other Financing Sources/Uses		(\$9,703,335.54)	(\$11,834,207.13)	(\$12,183,809.80)
Net Increase (Decrease) in Fund Balance		\$1,240,653.66	(\$5,895,606.20)	(\$8,128,673.28)
Fund Balance				
Beginning Fund Balance	9791	\$7,530,931.77	\$8,807,915.16	\$2,912,308.96
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$36,329.73	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$7,567,261.50	\$8,807,915.16	\$2,912,308.96
Ending Fund Balance		\$8,807,915.16	\$2,912,308.96	(\$5,216,364.32)
Components of Ending Fund Balance				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Revolving Cash	9711	\$26,250.00	\$26,250.00	\$26,250.00
Stores	9712	\$108,611.00	\$108,611.00	\$108,611.00
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		3.00%	3.00%	1.05%
Designated for Economic Uncertainties	9770	\$2,473,394.30	\$2,378,851.68	\$841,929.38
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Designated	9780	\$1,000,000.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$5,199,659.86	\$398,596.28	\$0.00
Negative Shortfall	9790	\$0.00	\$0.00	(\$6,193,154.70)

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

*Woodland Joint Unified School District – MYFP
Restricted Resource Summary*

LEA: Woodland Joint Unified
Projection: 2010-11 2nd Interim Woodland Joint USD 3-Year Projection

**General Fund/County School Service Fund
Restricted Resources Only
Revenues, Expenditures, and Changes in the Fund Balance**

Name	Object Code	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues				
Revenue Limit Sources	8010 - 8099	\$1,000,357.00	\$1,127,188.81	\$1,145,289.66
Federal Revenues	8100 - 8299	\$11,175,163.00	\$5,483,926.00	\$5,483,926.00
Other State Revenues	8300 - 8599	\$5,167,389.00	\$4,859,138.00	\$4,938,563.41
Other Local Revenues	8600 - 8799	\$4,436,594.00	\$4,436,594.00	\$4,436,594.00
Total Revenues		\$21,779,503.00	\$15,906,846.81	\$16,004,373.07
Expenditures				
Certificated Salaries	1000 - 1999	\$10,845,184.28	\$10,430,491.41	\$9,617,185.76
Classified Salaries	2000 - 2999	\$7,426,571.12	\$7,656,107.22	\$7,528,205.57
Employee Benefits	3000 - 3999	\$4,097,493.76	\$4,093,303.52	\$3,844,134.42
Books and Supplies	4000 - 4999	\$4,573,379.57	\$2,620,888.64	\$2,664,335.02
Services and Other Operating	5000 - 5999	\$3,617,658.54	\$2,256,833.15	\$2,286,587.70
Capital Outlay	6000 - 6900	\$25,000.00	\$25,000.00	\$25,000.00
Other Outgo	7000 - 7299	\$480,206.70	\$478,397.34	\$486,753.19
Direct Support/Indirect Cost	7300 - 7399	\$446,681.00	\$315,342.00	\$316,269.00
Debt Service	7430 - 7439	\$0.00	\$0.00	\$0.00
Total Expenditures		\$31,512,174.97	\$27,876,363.28	\$26,768,470.66
Excess (Deficiency) of Revenues Over Expenditures		(\$9,732,671.97)	(\$11,969,516.47)	(\$10,764,097.59)
Other Financing Sources/Uses				
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	\$8,202,057.54	\$10,714,831.13	\$11,064,433.80
Total Other Financing Sources/Uses		\$8,202,057.54	\$10,714,831.13	\$11,064,433.80
Net Increase (Decrease) in Fund Balance		(\$1,530,614.43)	(\$1,254,685.34)	\$300,336.21
Fund Balance				
Beginning Fund Balance	9791	\$3,429,161.67	\$1,862,217.51	\$607,532.17
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	(\$36,329.73)	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$3,392,831.94	\$1,862,217.51	\$607,532.17
Ending Fund Balance		\$1,862,217.51	\$607,532.17	\$907,868.38
Components of Ending Fund Balance				
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	\$1,862,217.51	\$607,532.17	\$907,868.38
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

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

*Woodland Joint Unified School District – MYFP
Unrestricted & Restricted Resource Summary*

LEA: Woodland Joint Unified
Projection: 2010-11 2nd Interim Woodland Joint USD 3-Year Projection

**General Fund/County School Service Fund
Unrestricted and Restricted Resources
Revenues, Expenditures, and Changes in the Fund Balance**

Name	Object Code	Base Year 2010 - 11	Year 1 2011 - 12	Year 2 2012 - 13
Revenues				
Revenue Limit Sources	8010 - 8099	\$52,860,974.73	\$49,005,746.80	\$49,031,778.58
Federal Revenues	8100 - 8299	\$11,194,220.00	\$5,502,926.00	\$5,502,926.00
Other State Revenues	8300 - 8599	\$13,005,302.00	\$12,534,372.47	\$12,712,606.05
Other Local Revenues	8600 - 8799	\$5,096,019.25	\$5,101,719.25	\$5,108,102.95
Total Revenues		\$82,156,515.98	\$72,144,764.52	\$72,355,413.58
Expenditures				
Certificated Salaries	1000 - 1999	\$39,398,252.28	\$39,590,660.22	\$40,348,736.28
Classified Salaries	2000 - 2999	\$14,288,746.12	\$14,653,123.81	\$14,645,584.46
Employee Benefits	3000 - 3999	\$11,965,711.29	\$12,068,637.70	\$12,137,972.44
Books and Supplies	4000 - 4999	\$6,025,425.09	\$3,812,921.04	\$3,875,626.98
Services and Other Operating	5000 - 5999	\$8,500,016.27	\$7,320,234.86	\$7,525,090.46
Capital Outlay	6000 - 6900	\$35,358.00	\$35,534.09	\$35,765.84
Other Outgo	7000 - 7299	\$480,206.70	\$478,397.34	\$486,753.19
Direct Support/Indirect Cost	7300 - 7399	(\$248,959.00)	(\$248,959.00)	(\$248,959.00)
Debt Service	7430 - 7439	\$500,442.00	\$465,130.00	\$257,804.00
Total Expenditures		\$80,945,198.75	\$78,175,680.06	\$79,064,374.65
Excess (Deficiency) of Revenues Over Expenditures		\$1,211,317.23	(\$6,030,915.54)	(\$6,708,961.07)
Other Financing Sources/Uses				
Interfund Transfers In	8900 - 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 - 7629	\$1,501,278.00	\$1,119,376.00	\$1,119,376.00
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
Total Other Financing Sources/Uses		(\$1,501,278.00)	(\$1,119,376.00)	(\$1,119,376.00)
Net Increase (Decrease) in Fund Balance		(\$289,960.77)	(\$7,150,291.54)	(\$7,828,337.07)
Fund Balance				
Beginning Fund Balance	9791	\$10,960,093.44	\$10,670,132.67	\$3,519,841.13
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance		\$10,960,093.44	\$10,670,132.67	\$3,519,841.13
Ending Fund Balance		\$10,670,132.67	\$3,519,841.13	(\$4,308,495.94)
Components of Ending Fund Balance				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Revolving Cash	9711	\$26,250.00	\$26,250.00	\$26,250.00
Stores	9712	\$108,611.00	\$108,611.00	\$108,611.00
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	\$1,862,217.51	\$607,532.17	\$907,868.38
Economic Uncertainties Percentage		3.00%	3.00%	1.05%
Designated for Economic Uncertainties	9770	\$2,473,394.30	\$2,378,851.68	\$841,929.38
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Designated	9780	\$1,000,000.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$5,199,659.86	\$398,596.28	\$0.00
Negative Shortfall	9790	\$0.00	\$0.00	(\$6,193,154.70)

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

FCMAT will prepare an updated cash flow projection that will be supplied to the district in a separate document.

FCMAT would like to thank the administration and staff of the Woodland Joint Unified School District for their assistance and cooperation in compiling the information for this study.

Sincerely,

A handwritten signature in black ink, appearing to read "Debi Deal". The signature is stylized with large, overlapping loops and a long horizontal flourish at the bottom.

Debi Deal, CFE

Fiscal Intervention Specialist