

March 1, 2019

Honorable Keely Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
1315 10th Street
Sacramento, CA 95814

Honorable Holly J. Mitchell, Chair
California State Senate Committee on Budget and Fiscal Review
1315 10th Street
Sacramento, CA 95814

Dear Honorable Director Bosler, Honorable Chairperson Mitchell and Committee Members, and Honorable Chairperson Ting and Committee Members:

This letter is submitted for your consideration in accordance with FCMAT's responsibilities under Assembly Bill 1840 with regard to the Inglewood Unified School District.

Background

AB1840

Assembly Bill 1840 (Chapter 426/2018) (AB 1840) passed the legislature on August 31, 2018 as a budget trailer bill and became effective on September 17, 2018. Among other provisions, AB 1840 provides for several changes in the oversight of fiscally distressed districts and sets forth specific requirements for the Inglewood Unified School District (district) in exchange for providing financial resources under certain circumstances. This letter is provided in accordance with Education Code Section 42161(d) as established by AB 1840 and outlined below.

AB 1840 changes the former state-centric system to be more consistent with the principles of local control. Several duties formerly assigned to the state Superintendent of Public Instruction (SPI) are now assigned to the county superintendent, with the concurrence of the SPI and the president of the State Board of Education. While AB 1840 does not change the definition of or criteria for fiscal insolvency,

FCMAT

Michael H. Fine, Chief Executive Officer

1300 17th Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647

755 Baywood Drive, 2nd Floor, Petaluma, CA 94954 • Telephone: 707-775-2850 • Fax: 661-636-4647 • www.fcmat.org

Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools

it does change the structure of how fiscally insolvent districts are administered once a state emergency appropriation has been made.

The duties being fulfilled by the state trustee in the district are those of a state administrator, but the original enabling legislation for the district's state emergency appropriation (loan) calls the position a trustee, so that term is used in this letter.

Under AB 1840, the state trustee assigned to the district now reports to the Los Angeles County Superintendent of Schools and no longer reports to the SPI. If the current state trustee elects to not continue, or a determination is made by the county superintendent that the state trustee should be replaced, the appointment of the next state trustee would follow the provisions of AB 1840, namely, 1) be selected from a list of candidates identified and vetted by FCMAT, and 2) be appointed jointly by the county superintendent, SPI and president of the State Board of Education.

Additionally, AB 1840 established Education Code Section 42161, which states:

(a) For the 2018–19 fiscal year, the Inglewood Unified School District shall do both of the following:

(1) Meet the requirements for qualified or positive certification for the school district's second interim report pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

(2) Complete comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

(b) Beginning with the 2019–20 fiscal year, the Budget Act shall include an appropriation for the Inglewood Unified School District, if the school district complies with the terms specified in subdivisions (a) and (c), in the following amounts:

(1) For the 2019–20 fiscal year, up to 75 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.

(2) For the 2020–21 fiscal year, up to 50 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.

(3) For the 2021–22 fiscal year, up to 25 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.

(c) Disbursement of funds specified in subdivision (b) shall be contingent on the Inglewood Unified School District's completion of activities specified in the prior year Budget Act to improve the school district's fiscal solvency. These activities may include, but are not limited to, all of the following:

(1) Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

(2) Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.

- (3) Completion and implementation of multiyear, fiscally solvent budgets and budget plans.
 - (4) Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.
 - (5) Sale or lease of surplus property.
 - (6) Growth and maintenance of budgetary reserves.
 - (7) Approval of school district budgets by the Los Angeles County Superintendent of Schools.
- (d) Funds described in subdivision (b) shall be allocated to Inglewood Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c), as specified in the prior year Budget Act, have been completed. Additionally, by March 1 of each year, through March 1, 2021, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Inglewood Unified School District has made to complete the activities described in subdivision (c), as specified in the prior year Budget Act.
- (e) The activities described in subdivision (c) shall be determined in the annual Budget Act based on joint recommendations from the County Office Fiscal Crisis and Management Assistance Team and the Los Angeles County Superintendent of Schools. These recommendations shall be submitted to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance by March 1 of each fiscal year, through March 1, 2021, in conjunction with the certification described in subdivision (d).
- (f) Until June 30, 2019, the Superintendent may waive the reimbursement determination specified in Section 18054 of Title 5 of the California Code of Regulations for Inglewood Unified School District's 2016–17 fiscal year California state preschool program contract in order to resolve the school district's outstanding child development reimbursement liability to the state.

District Overview

The Inglewood Unified School District was established in the early 1950s as the successor to the Inglewood School District, which came into existence in 1888. It encompasses nine square miles in Los Angeles County and is approximately 13 miles southwest of the city of Los Angeles. Inglewood Unified serves approximately 7995 students in 19 schools in the city of Inglewood and an adjacent section of unincorporated Los Angeles County (Ladera Heights). The district's schools include one preschool child development center, three transitional kindergarten through grade five (TK-5) schools, seven TK-6 schools, one TK-8 school, one grades 6-8 middle school, one grades 7-8 middle school, three high schools, one district-operated charter school (TK-8), and one career technical education/adult education/alternative education school. The district-operate charter school, LaTijera Academy, has an additional 762 students. Numerous independent charter schools are also located in the district.

Approximately 30.4% of the district's students speak a foreign language at home, and 86% of its students are eligible for free or reduced-price meals. The district's unduplicated pupil percentage (students who are English learners, foster youth, or eligible for free or reduced-price meals) is 89.8%. Based on the

district's fiscal year 2018-19 first interim report, the district is expected to have combined unrestricted and restricted revenue of \$125 million and expenditures of \$122 million. The district's projected June 30, 2019 unrestricted ending fund balance is \$1.3 million.

Under state receivership (as described below), the SPI has historically assumed all the legal rights, duties and powers of a district's governing board and appointed a state trustee to act as both the governing board and superintendent. This was the case until September 2018, when the Legislature gave the local county superintendent the role formerly assigned to the SPI for this purpose. The district's five-member governing board serves in an advisory role until the district shows adequate progress in implementing the comprehensive review recommendations in five operational areas (financial management, personnel management, community relations and governance, facilities management, and pupil achievement), and the county superintendent, with the concurrence of the SPI and the president of the State Board of Education, determines that the district has built sufficient capacity to self-govern. Even when the governing board resumes control, a trustee will have stay-and-rescind authority over governing board actions until the loan is fully repaid to the state.

Emergency Appropriation, Loan Status and Payment Terms

On September 14, 2012 the governor approved Senate Bill (SB) 533 (Chapter 325/2012), bringing the district under state receivership with a state-approved emergency appropriation of \$55 million to avert fiscal insolvency. The district's previous management made efforts to avoid the takeover with last-minute expenditure reductions totaling approximately \$22 million, but after years of deficit spending the district's structural budget imbalance was too large. The district was projected to have a negative cash balance by March 31, 2013. Stated reasons for fiscal insolvency included overstating average daily attendance (ADA), understating California State Teachers' Retirement System payments, understating certificated salary expenses, continued deficit spending, and declining enrollment. State emergency appropriations are sized based on many assumptions. Emergency appropriations are not meant to solve the fiscal problem but to allow time for the district to make the reductions needed to correct its structural operating deficit.

The funds for the emergency appropriation (loan) to support the district's cash flow were initially to be issued, as provided for in the legislation, by the California Infrastructure and Economic Development Bank (I-Bank). The I-Bank typically would sell bonds to investors to raise the capital for this purpose. Temporary loans were made from the state's general fund to provide cash flow before the I-Bank bonds were sold. Before they were sold, Assembly Bill 86 (Chapter 48/2013) was passed. This legislation superseded the previous legislation mandating I-Bank financing and instead authorized the district, through the California Department of Education (CDE), to request loans directly from the state's general fund in an amount not to exceed \$55 million at a much lower interest rate, saving the district millions of dollars over the life of the loan.

Of the \$55 million authorized, the district drew \$29 million from November 2012 through February 2013 because of negative cash flow projections, leaving a balance of \$26 million available.

The CDE reports that, as of July 1, 2018, the district owed \$24,279,726. The payment schedule is approximately \$1.8 million due each November through 2033. The interest rate is 2.307%. Payments are made through a State Controller's Office (SCO) intercept of the district's principal apportionment.

Other FCMAT Reviews of the District

Since 2013, FCMAT has conducted an annual comprehensive review of the district pursuant to the provision of the emergency appropriation and other relevant law. The comprehensive review uses legal and professional standards aligned with industry best practices and with applicable state and federal law, including the California Education Code. The most recent annual review is dated July 2018 and includes recommendations for improvement and recovery related to each identified standard. Recommendations for recovery are designed and intended to affect functions directly at the district, at school sites and in classrooms. Implementing the designated standards and recommendations with this type of depth and focus will result in improvements in pupil achievement, financial practices, personnel procedures, community relations, and facilities management, and will hasten the return to local control and governance, which is the primary objective of the recovery process monitored using comprehensive reviews.

Current Financial Status

Adopted Budget

The state trustee, under the supervision of the SPI, approved and submitted Inglewood Unified School District's 2018-19 budget on June 28, 2018. The adopted budget as submitted to the Los Angeles County Superintendent of Schools (county office) showed a reserve for economic uncertainty of 2.77% for fiscal year 2018-19, and 3% for each of the two subsequent fiscal years. To meet these reserve requirements, the district's budget included an ongoing \$4.05 million reduction to employee health benefits annually beginning in 2018-19. In addition, the adopted budget included further reductions of \$4.5 million for 2019-20 and an additional \$3.6 million for fiscal year 2020-21 to enable the district to meet its required 3% reserve. However, the additional reductions were nonspecific and were not part of a substantiated fiscal stabilization plan.

The county office completed its review of the district's adopted budget but was unable to approve the budget as submitted. The county office required the district to submit a revised adopted budget on or before October 8, 2018 that included an updated fiscal stabilization plan with alternative options for any contingent expenditure reductions and that identified and allocated the expenditure reductions for fiscal years 2019-20 and 2020-21 (Exhibit A).

On October 4, 2018, the state trustee approved and resubmitted a revised adopted budget and an updated fiscal stabilization plan. The fiscal stabilization plan included detailed reductions for fiscal years 2019-20 and 2020-21 that were not contingent on negotiations or other factors. The major revisions to the budget included additional revenue from a facility use agreement with a local charter school, revisions to Local Control Funding Formula (LCFF) revenues, and, because the district had closed the books for the previous year, a higher-than-estimated beginning fund balance. In the revised budget, expenditures were higher because of the reversal of the estimated \$4 million savings to employees' health benefits, which was partially offset by a one-time loan payment deferment on the district's state loan for fiscal year 2018-19. The loan payment deferral was granted by the director of the California Department of Finance under pre-existing authority.

The district's revised adopted budget's multiyear financial projections (MYFPs) for each fiscal year fall short of the district's minimum reserve requirement of 3.00%. However, the district submitted an updated fiscal stabilization plan that identifies specific ongoing cost reduction measures, negotiable expenditure reductions, and contingent revenue enhancements.

The district was projected to have a deficit of \$614,978, an ending fund balance of \$2,495,350 and a reserve of 2.05% for 2018-19, an ending fund balance of \$2,631,420 and a reserve of 2.29% for 2019-20, and an ending fund balance of \$2,623,469 and a reserve of 2.35% for 2020-21.

The budget reflects the impacts of continued declining enrollment: 521 fewer students in 2018-19 than in the previous year, a further 464 fewer students in 2019-20, and a further 378 fewer students in 2020-21. The projected average daily attendance (ADA) is estimated to be 8,351 in 2018-19, 7,970 in 2019-20, and 7,501 in 2020-21.

In a letter dated October 8, 2018, the county office concluded that the district was making progress in addressing its structural deficit and reminded the district that the fiscal stabilization plan must be implemented and monitored to ensure the district meets the required reserves of 3.0% (Exhibit B).

First Interim Report

The state trustee assigned to the district approved and submitted the district's 2018-19 first interim financial report on December 5, 2018, and self-certified the district as qualified, meaning the district may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. The district's efforts to control costs by staffing efficiently, reducing operating budgets and implementing other planned actions and services resulted in a projected net increase of \$1.45 million in its unrestricted general fund in the 2018-19 fiscal year. The impact of those reductions eliminates the district's previous deficit amount, replacing the deficit with a projected surplus of \$835,097, which increases the district's projected ending fund balance to \$4.1 million, creating a 3.20% reserve for economic uncertainties.

The MYFP shows a deficit of \$4.6 million in 2019-20, resulting in a projected ending fund balance of negative \$467,117, for a negative 0.48% reserve. For fiscal year 2020-21 the MYFP shows a deficit of \$6.0 million; when this is combined with the negative beginning fund balance from the prior year, the projected ending fund balance is a negative \$6.5 million, for a negative 5.61% reserve. The district's 2018-19 first interim report submitted to the county superintendent included projections that rely on additional state apportionments of \$4.59 million in 2019-20 and \$6.20 million in 2020-21 to meet the required reserve levels. One of the conditions for the district to be considered for state assistance under AB 1840 is that the district meet the requirements for a qualified or positive budget certification in 2018-19 and for positive certifications in 2019-20 and 2020-21; therefore, the district must continue to identify and implement additional ongoing cost reductions and/or revenue increases.

The county office completed a review of the district's first interim report and the updated fiscal stabilization plan and concurred with the district's qualified certification (Exhibit C). Although the district has identified further expenditure reductions in the amount of \$3.79 million in fiscal year 2019-20 and \$6.62 million in fiscal year 2020-21, the district will not meet the required reserve levels without relying on apportionments under AB 1840.

Including apportionments under AB 1840 was not appropriate at the time the first interim was prepared, filed with the county office and reviewed by the county superintendent. The district has identified additional cost savings and revenue increases; however, these are contingent on external factors and cannot be guaranteed. They include revenues from the leasing of underused or surplus land, and additional consolidation of schools. A copy of the district's fiscal stabilization plan submitted with its first interim financial report is attached (Exhibit D).

Status of Collective Bargaining

In 2015-16 the district reached three-year collective bargaining agreements with both its classified and certificated employee associations. Reopeners were included for salaries, benefits, and two additional articles for each party in each year.

The parties were unable to come to an agreement on the reopeners, and an impasse was declared. The district and the Inglewood Teachers Association (ITA) entered into mediation but were still unable to come to an agreement. The most significant issue was the district's proposed hard cap on its contribution to employees' health benefits. This proposal was a significant cornerstone of the district's initial fiscal recovery plan: it was projected to result in an annual savings of \$4.05 million. Both parties participated in a fact finding hearing on May 15, 2018.

As a result of continued negotiations, the district, ITA, and Allied Trades District Council 36 on behalf of California Professional Employees (CalPro) settled on agreements.

The county office responded to the district's AB 1200 collective bargaining disclosure when the county superintendent approved the district's revised budget in a letter dated October 8, 2018 (Exhibit B). Because there were no changes to the salary schedule and the employer contribution was set to the lowest Kaiser HMO plan for 2018-19 and 2019-20, the county office maintained that the cost of this settlement would not materially alter the district's near-term fiscal outlook.

District Actions Since Budget Adoption

On January 16, 2019, the state trustee approved a resolution to lay off or reduce the hours of classified personnel. Below are the classifications that have been identified:

Job Classification	Location	Current Hours or Assignment	Number of Hours Position is Reduced	
Assistant Director — Food Services	Food Services	8	8	(vacant)
Medi-Cal supportive Clerk	Student Support Services	8	8	(vacant)
Senior Data Technician (4 positions)	Information Technology	8	8	(2 positions vacant)
Data Processing Clerk/Secretary	Information Technology	8	8	
Data Processing Clerk/Secretary	Kelso	8	8	

This layoff, which is part of the fiscal stabilization plan, results in an annual savings of approximately \$80,000 to the district's general fund.

As part of the fiscal stabilization plan, the district has also identified reductions to a number of certificated staff positions. The district has stated that the resolution for the reductions in certificated services will be considered for approval on March 6, 2019.

On December 5, 2018 the state trustee approved an agreement with School Services of California, Inc. (SSC) to provide an organizational, efficiency and comparative staffing review of the district to meet the requirements of the comprehensive operational reviews under AB 1840. Approval was also given for a contract with Pupil Transportation Information, LLC (PTI) to provide a comprehensive review of the district's pupil transportation. Data and recommendations from these operational reviews will help inform the district's final 2019-20 budget development.

Deficit Calculation

FCMAT Analysis of MYFP Deficit in 2019-20 and 2020-21

To validate the calculations on the first interim MYFP, FCMAT performed the following:

- Analyzed budget, payroll and position control
- Updated the LCFF calculation based on the governor's January proposed budget data
- Created enrollment and ADA projections using Budget Explorer
- Verified revenues from former redevelopment agencies and included these funds
- Verified prior year apportionment adjustments and corresponding journal entries
- Analyzed budget-to-actuals data for the current year
- Balanced restricted resources for 2019-20 and 2020-21

Based on a review of the district's first interim report, analysis of district documents, and discussions with the district's chief business official (CBO) and director of fiscal services, FCMAT found the interim report to be reasonable. FCMAT also compared the district's fiscal year 2017-18 second interim report to its unaudited actuals in the unrestricted general fund to ascertain the level of reliability the district has in estimating the cost of salaries and benefits. This comparison showed that the district overbudgeted salaries and benefits; the variance between the second interim and the unaudited actuals was approximately \$1.7 million. Upon further review, FCMAT found that the district's estimated costs of contributions to programs that are not self-supporting was underbudgeted by approximately \$1.7 million. The district's CBO indicated that although vacant positions were included in the budgets, they have difficulty filling the positions and therefore ultimately have to contract out to meet the need. Although district staff may be monitoring these important details, FCMAT's findings in this area indicate that district staff do not align the budget with actual expenditures as the fiscal year progresses, which makes it difficult to reach conclusions based on budget data.

Special education costs are a significant portion of the district's operating budget and have continued to increase even as total enrollment has declined. In addition, the district was found to be out of compliance in a variety of special education services and therefore has had to contract out for services to ensure that students receive the services outlined in their individualized education programs (IEPs). The current budget in total appears sufficient to cover all current obligations. However, subsequent to FCMAT's initial review the district experienced last-minute cost increases from partner agencies, and numerous contracts have been approved that will ultimately increase the total special education costs and thus the contribution from the unrestricted general fund. Although FCMAT's final accounting includes these and other factors known at the time of this letter, a risk remains because of the district's inability to forecast its special education expenditures.

The district's student enrollment is also declining at a high rate, which directly affects its revenues. FCMAT's most recent LCFF calculation for the district is based on a decline of 502.37 ADA, or approximately 6.19%, for fiscal year 2019-20, and a further decline of 493.78 ADA, or approximately 6.48%, for fiscal year 2020-21. This decline in enrollment and ADA directly affects the district's budget and its ability to remain fiscally solvent.

The two subsequent fiscal years in the MYFP include the majority of the items identified on the fiscal stabilization plan; however, FCMAT's analysis of the details of the MYFP indicates not all of the assigned values may be realized. The district is planning for reductions in operating budgets for centralized depart-

ments as well as reductions to school site budgets for books, supplies and services in both subsequent fiscal years. However, the district's reductions do not take into consideration the projected increase to these categories resulting from the consumer price index (CPI). Using the governor's January proposed budget CPI projections of 3.18% in fiscal year 2019-20 and 3.05% in fiscal year 2020-21, FCMAT's calculations showed a savings of \$80,000 rather than the projected reduction of \$100,000 in district office and school site budgets for books and supplies, and a savings of approximately \$143,000 rather than the projected \$250,000 in services for fiscal year 2019-20. For fiscal year 2020-21, the district projected savings totaling \$450,000; however, FCMAT's calculations indicate a more realistic savings of approximately \$200,000.

Consistent with its fiscal stabilization plan, the district recently entered into a facility use agreement with Green Dot Public Schools California, which operates Animo City of Champions Charter High School. The agreement grants the charter school a combination of exclusive and nonexclusive use of the district's Old Warren Lane school site. The fiscal benefit to the district is approximately \$313,671 in fiscal year 2019-20 and \$393,671 in fiscal year 2020-21.

On July 18, 2018 the district, CalPro and the district's management entered into a participation agreement with California's Valued Trust (CVT), effective October 1, 2018. This trust provides multiple plans with multiple levels of employee benefits.

Benefit plan sections are recommended in a joint labor and management committee and will be approved by the state trustee. The district included \$500,000 in ongoing savings from health and welfare plan design changes in 2019-20, and an additional \$500,000 in savings from additional design changes in 2020-21, for a total reduction of \$1,000,000 in plan costs over the two-year period as part of its fiscal stabilization plan submitted with its 2018-19 first interim financial report.

Consistent with AB 1840, the district, in collaboration with the county office, is working to develop a facilities closure and consolidation plan. Part of the plan is to realize potential revenue from the leasing or sale of surplus facilities. The fiscal stabilization plan includes an estimated \$1.5 million in projected revenue in fiscal year 2020-21 from the first phase of this plan. The district has also identified a savings of \$500,000 per fiscal year for each school closure as part of a school consolidation plan, with one closure included in the current estimate. The estimated savings are from reductions in personnel, utilities and operating costs.

These calculations are based on what is known at the time of this report and will require revision as development of the 2019-20 budget proceeds.

FCMAT's calculations of the district's unrestricted, restricted and combined general fund operating surplus/(deficit) for the current and two subsequent fiscal years are as follows:

Operating Surplus (Deficit)

Fiscal Year	Unrestricted	Restricted	Combined
2018-19	\$ 250,029	\$1,679,421	\$1,929,450
2019-20	(\$4,643,979)	\$1,463,378	(\$3,180,602)
2020-21	(\$-6,759,497)	\$1,106,283	(\$5,653,214)

A copy of the MYFP is included with this letter as Exhibit E.

FCMAT Projected Ending Fund Balance and Reserve Levels

Fiscal Year	Ending Fund Balance	Minimum Required Reserves	Total Available Reserves
2018-19	\$3,540,358	\$3,689,269	2.73%
2019-20	(\$1,103,622)	\$3,644,524	-1.06%
2020-21	(\$7,863,119)	\$3,604,389	-6.69%

COE Intervention Costs Included in Deficit Calculation

The Los Angeles County Superintendent of Schools is creating support positions for the district to meet identified critical needs. The positions are as follows:

1. Facilities oversight, monitoring the facilities plan, school operations, and school and community safety.
2. Child welfare and attendance support to ensure the development and implementation of district procedures related to attendance recordkeeping, enrollment, and policies that address the unique needs of specialized programs.
3. System support to ensure fluidity and accuracy of data collection and reporting. There is a need to standardize procedures for entering, reconciling and interpreting data, and to build capacity to use data to drive ongoing improvements.

An estimate provided by the county office indicates the total cost for this support will be just under **\$700,000** per year in fiscal years 2019-20 and 2020-21 and approximately **\$300,000 for the current fiscal year**. In addition, the county office estimates a total of 1,527 hours of intervention for the district to comply with AB 1840, at an approximate cost of slightly less than \$160,000 each fiscal year.

Other Considerations Added to or Subtracted from Deficit Calculation

The district continues to benefit from the receipt of former redevelopment agency (RDA) revenues that are in addition to the LCFF revenue apportionment. The district has a beginning balance of \$2.5 million, with \$1.173 million estimated to be received this fiscal year and a projected amount of \$1.7 million in fiscal year 2019-20. Although the use of these funds for unrestricted purposes may be debated by some, Education Code Section 42268(h)(6) allows the inclusion of “maintenance” (e.g., routine restricted maintenance account). Therefore the entire RDA amount received and any accumulated balances may be used to help cover the district’s contribution to the routine restricted maintenance account (RRMA), reducing or eliminating the burden on the unrestricted general fund.

Opportunities and Challenges to Calculation

As mentioned previously in this letter, the district continues to be severely affected by increasing costs in its special education program. The district is a member of the Southwest Special Education Local Plan Area (SELPA), which is responsible for coordinating regionalized services for all its member school districts and charters. On February 22, 2019, the district received an updated excess cost bill from the SELPA, which increased the district’s costs by \$700,000 more than the previous estimate for the current year. This was unexpected and demonstrates the continued instability in the district’s special education costs. The district is a partner with the SELPA and should actively participate in the SELPA’s governance

structure, vigorously challenge such late-year changes in expenditure forecasts, and demand accountability from its partner agency.

The district currently has its own school police department, which includes a chief of police, three police officers and 14 safety assistants. As part of its fiscal stabilization plan, the district is exploring the option to phase out the police department in fiscal year 2020-21 and replace it with a delivery model more common in comparably-sized school districts. The district is not filling any vacancies in its police department and has met with the city to discuss options for school resource officers.

Projected Deficits for 2018-19 and 2019-20

Fiscal Year	2018-19	2019-20
Projected Deficit	\$ 250,029	(\$4,643,979)
COE Additional Support /Intervention	(\$ 469,309)	(\$ 841,660)
Projected RDA Dollars*	\$1,173,295	\$1,700,422
Available RDA BFB		\$2,533,627
Projected Revised Deficit	\$ 954,015	(\$1,251,590)

*Estimated Values per Public Economics, Inc.

AB1840 Benchmarks

Required Benchmarks

Education Code 42161(c) provides a list of benchmarks to be measured as a condition of apportionment of one-time funds to assist the district. The Los Angeles Superintendent of Schools has taken an active role in helping the district and has created a targeted plan of action that is intended to guide the district toward the goal of achieving long-term fiscal stability and recovery. While the county superintendent did not ask for the added responsibility under AB 1840, she has fully embraced the responsibility and dedicated significant resources of time, talent, and leadership to facilitate measurable and valuable progress toward the district's recovery. Together, the county superintendent and the district are working to identify focused, key areas for improvement based on the benchmarks below, district-established benchmarks, and recommendations from FCMAT's comprehensive reviews. A crosswalk demonstrating the interconnection of each of these elements informed the targeted plan of action that the county superintendent is collaboratively directing with the district to implement and closely monitor. Under AB 1840, the county superintendent supervises the state trustee assigned to the district. This relationship has been positive, coordinated, and focused on priorities. The benchmarks are provided below with brief detail of the district's status with regard to each benchmark.

1. Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

Status

The district and the county office identified the following operational areas to be reviewed: maintenance and operations, fiscal services, transportation, human resources, education services, and the school police department.

On December 5, 2018 the district entered into an agreement with SSC to conduct an organizational, efficiency and comparative staffing review that included educational services (excluding special education), fiscal services, human resources, technology, and maintenance and operations departments. The cost of this agreement is not to exceed \$62,700 plus expenses.

The district is anticipating a draft of the SSC report by March 1, 2019.

On January 16, 2019 the district entered into an agreement with PTI to conduct a comprehensive review of the district's pupil transportation. The cost for this agreement is \$24,585. The review will begin the last week of March 2019. The review will include fieldwork not to exceed three business days to conduct staff interviews, review pertinent operational documents and best practices, and observe the facilities. The district will be provided a draft report within sixty business days of the on-site fieldwork. A final report will be provided to the district within 15 business days after receipt of draft report.

The district has not yet selected a vendor or entered into an agreement for an operational review of its police department. Current conversations with the city may obviate the need for this operational review.

These reports will be used to make further revisions to the district's fiscal stabilization plan in the spring of 2019 as part of final budget planning for 2019-20.

2. Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.

Status

The district has an approved fiscal stabilization plan that was submitted with its first interim report. Many of the identified reductions are to personnel and thus will require formal action. As these items are approved, the district will update this plan with the most current projected savings. Consolidation of school sites is addressed under the district-established benchmarks below.

3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

Status

The district is incorporating potential revenue increases and budget reductions as outlined in its fiscal stabilization plan. Although the district has identified further expenditure reductions in the amount of \$3.79 million in fiscal year 2019-20 and \$6.62 million in fiscal year 2020-21, it does not have a plan that eliminates the deficit and establishes the minimum required reserve levels. The district has stated that a resolution for reduction in the certificated staffing will be considered for approval on March 6, 2019, and there is concern about the short timeline because the affected employees must be served with the required notice of intent to lay off prior to March 15.

4. Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

Status

The district self-certified its first interim 2018-19 report as qualified; the county office concurred with this certification.

5. Sale or lease of surplus property.

Status

The district and the county office have worked to establish a draft analysis of potential school consolidations and closures, which will result in facilities that can be sold, leased, or used by the district for other purposes. The draft plan is built on several years of conversations and analysis; it consists of a thoughtful, informed and comprehensive approach to school facilities that best meets the community's needs. It also considers operational and capital expenditures that maximizes the district's resources. The next steps include refinement and preparation for California Environmental Quality Act (CEQA) review. Conducting a CEQA review on the entire plan at once ensures that the district and the county superintendent have all available information before considering approval of the plan and the phased implementation. The CEQA review process is estimated to take at least a year.

6. Growth and maintenance of budgetary reserves.

Status

The proposed budget increases and reductions in the district's MYFP and fiscal stabilization plan have not been sufficient to restore the district's ending fund balance to the required minimum reserve levels. The county office has put together an accountability progress report that summarizes its work with the district and identifies next steps, timelines, and the staff responsible for achieving the established goal. The district and the county office will analyze the comprehensive operational reviews and develop a plan to implement any recommendations to move the district toward fiscal stability.

7. Approval of school district budgets by the Los Angeles Superintendent of Schools.

Status

The district's adopted budget, as first submitted to the county superintendent in June, was disapproved by the county office. The district's revised adopted budget had an updated fiscal stabilization plan that identified specific ongoing cost reductions, negotiable expenditure reductions, and contingent revenue increases. The district submitted its first interim financial report and self-certified as qualified, and the county office concurred with that certification.

District-Established Benchmarks

1. Facility Planning

Status

As noted above, district staff, in collaboration with county office staff, meet regularly to continue to develop and refine a school consolidation and closure plan. The team of county office and district staff has also identified facilities in need of modernization, repairs and new construction. The district recently lost an experienced key employee who was the point person on facilities. Although this is a setback, the district and the county office are committed to the process under way and are effectively depending on and using consultants to help.

2. Special Education

Status

The district continues its work with the California Collaborative for Educational Excellence (CCEE) on building capacity in various special education program elements including IEP timelines, data monitoring, and coordinating support to targeted schools. The district is also working with Pivot Learning to finalize and implement a policies and support tool to prevent noncompliant IEPs. This tool will be available in digital form for easy access and will be used for training and monitoring to prevent costly errors due to noncompliance. This district has made tremendous progress, with the help of the county office, the CCEE, the CDE and other partners, in resolving a backlog of noncompliant IEPs. Challenges in providing a continuum of services and least restrictive environments for special education students continue. Cost structures for delivery options present risks to the district's fiscal stability.

3. Fiscal Stabilization Plan

Status

The district has a fiscal stabilization plan that has been updated with each submission of budget and financial reports. As discussed earlier in this letter, the district is projecting reductions in operating costs and other budgetary measures to reduce the operating deficit for 2019-20 and 2020-21. Although the district recognizes the need for budget reductions, its leaders and staff also know that it needs to improve the condition of its facilities and instructional programs to stabilize enrollment. The district recognizes that special education costs associated with an inefficient and ineffective program continue to present a significant budgetary risk (Exhibit D).

4. Instructional Improvement

Status

The district staff, in collaboration with the county office and the CCEE, meet regularly to review action steps and strategies that will result in a more focused approach to improved student achievement. The team of county office, district and CCEE staff has identified the need to focus on fully implementing a strategic instructional

improvement plan that includes the use of Common Core instructional materials, aligned periodic assessments, and a process for using common periodic assessments to inform instruction, intervention and professional development. Stability among the instructional services staff has contributed to continuity of instructional guidance to school staff. The CCEE is completing a comprehensive review of instructional programming, including needs identified by FCMAT in the area of pupil achievement, to determine immediate priorities and support for implementation.

5. Attendance Processes and Procedures

Status

In collaboration with the county office, district staff have implemented significant changes to procedures for enrolling students and to attendance accounting practices. To comply with existing legal requirements and ensure timely enrollment of students, the district has transitioned from a centralized (district office) process to a site-based process. Students are now enrolled at the school sites, and personnel have been reallocated from the district office to schools. Newly implemented procedures ensure streamlined attendance accounting, and a new accountability structure is in place to monitor compliance and support teachers and substitutes to promote accurate daily reporting of student attendance. An attendance and enrollment policy manual is being developed to systematize practices across sites and provide clear guidance to staff.

6. System Support — Data Driven

Status

The county office is creating support positions for the district to address critical needs. Support positions are essential in the following areas:

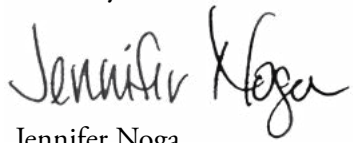
- a. Operations: Facilities oversight, monitoring the facilities plan, school operations, and school and community safety.
- b. Attendance/Enrollment: Child welfare and attendance support to ensure the development and implementation of district procedures related to attendance recordkeeping, enrollment, and policies that address the unique needs of specialized populations.
- c. Data and Evaluation: System support to ensure fluidity and accuracy of data collection and reporting. There is a need to standardize procedures for entering, reconciling and interpreting data, and to build capacity to use data to drive ongoing improvements.

Future FCMAT Updates in Support of DOF and Legislative Action

Future periodic letters will include updates on the various operational reviews, recommendations and plans to incorporate the recommendations in the fiscal stabilization plan, and other applicable planning. The district is working on its second interim report. Additional periodic reports will be made once the 2019-20 budget is finalized (June 2019), when 2018-19 unaudited actuals are available (September 2019), and when other major milestones are reached.

FCMAT will also follow up and report on the status of the district's facilities consolidation and closure plan to ensure progress continues to be made.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Noga". The signature is fluid and cursive, with the first name "Jennifer" written in a larger, more prominent script than the last name "Noga".

Jennifer Noga
Fiscal Intervention Specialist

cc: Dr. Debra Duardo, Los Angeles County Superintendent of Schools
Karen Stapf-Walters, Executive Director, California State Board of Education
Nick Schweizer, Deputy Superintendent, California Department of Education
Jeff Bell, Program Budget Manager, California Department of Finance
Jessica Holmes, Assistant Program Budget Manager, California Department of Finance
Dr. Thelma Meléndez de Santa Ana, State Trustee, Inglewood Unified School District
Dr. Erika Torres, Deputy Superintendent, Los Angeles County Superintendent of Schools

Exhibit A

LACOE Response Letter — 2018-19 Budget Disapproval



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

Debra Duardo, M.S.W., Ed.D.
Superintendent

September 17, 2018

Los Angeles County
Board of Education

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Thomas A. Saenz
President

Dear Dr. Melendez de Santa Ana:

James Cross
Vice President

DISAPPROVED BUDGET: UNABLE TO APPROVE AT THIS TIME

Candace Bond McKeever

Under EC Section 42127, the County Superintendent has completed the review of the District's budget for FY 2018-19. Our analysis of the data provided indicates that the District will not be able to meet its financial obligations for 2018-19, 2019-20 and 2020-21 without the development of an updated and implementable Fiscal Stabilization Plan (FSP). Therefore, **we are unable to approve the District's budget at this time. The District is required to adopt a 2018-19 Revised Budget and an updated FSP that restores and maintains a positive fund balance and the required reserve levels.** In addition, we offer our comments and concerns regarding the following issues.

Douglas R. Boyd

Alex Johnson

Gregory McGinity

Monte E. Perez

FISCAL STABILIZATION PLAN

The District did not submit an updated fiscal stabilization plan as required per our letter dated April 11, 2018. However, the District's Adopted Budget assumptions indicate that the District has implemented the majority of cost-saving measures in the FSP submitted to the County Superintendent on March 16, 2018. Because of the actions taken, the District's unrestricted General Fund deficit in 2017-18 is now \$2 million lower than originally budgeted. In addition, the District's 2018-19 budgeted staffing levels reflect a net decrease of 69 Full-Time-Equivalent positions from the reduction-in-force and school consolidation activities initiated in 2017-18 and commenced in July 2018.

While the District has made good progress in implementing actions in the FSP and reducing the deficit, we remain concerned about the current projection's reliance on contingent cost savings and nonspecific unallocated cost reductions to balance the budget and maintain a positive General Fund balance. Without more detail and specificity in the FSP assumptions, we are unable to accept the validity of these cost savings with any assurance that they can be successfully implemented. **We, therefore, require the District to submit an updated FSP that includes alternative options for any contingent expenditure reductions, and identifies and allocates the FSP's expenditure reductions for 2019-20 and 2020-21, along with the revised 2018-19 Adopted Budget, due to the Los Angeles County Office of Education on or before October 8, 2018.**

RESERVE FOR ECONOMIC UNCERTAINTIES

As submitted, the District is projecting a reserve of 2.77 percent for 2018-19, which does not meet the State Criteria and Standards minimum reserve requirement. Furthermore, the District's budget incorporates \$4.05 million of ongoing but negotiable cost savings in 2018-19. For 2019-20 and 2020-21, there are \$4.50 million and \$8.10 million, respectively, in nonspecific and unallocated expenditure reductions that are yet to be determined

When the District's projections are adjusted for the negotiable and unallocated reductions, the fund balances of 2018-19 and two subsequent fiscal years are negatively impacted and decrease to **negative** \$0.74 million for 2018-19, **negative** \$8.92 million for 2019-20, and **negative** \$21.23 million for 2020-21. The corresponding reserves for 2018-19, 2019-20 and 2020-21 decrease to **negative** 0.60 percent, **negative** 7.25 percent and **negative** 17.19 percent, respectively, as illustrated in the following table.

	Reserve for Economic Uncertainties (\$ millions)		
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
<u>District Adopted Reserves</u>			
District Ending Unrestricted General Fund (GF) Balance	\$3.47	\$3.70	\$3.79
District Reserve Amount	\$3.31	\$3.54	\$3.38
District Reserve Percent	2.77 percent	3.09 percent	3.03 percent
Negotiable Cost Savings	(\$4.05)	(\$4.05)	(\$4.05)
Unallocated Expenditure Reductions		(\$4.50)	(\$8.10)
<u>Reserves as Adjusted</u>			
Adjusted Ending Unrestricted General Fund Balance	(\$0.58)	(\$8.76)	(\$20.82)
Adjusted Reserve Amount	(\$0.74)	(\$8.92)	(\$21.23)
Adjusted Reserve Percent	(0.60 percent)	(7.25 percent)	(17.19 percent)

As illustrated in the table above, the District's adjusted ending fund balances for 2018-19, 2019-20 and 2020-21 reflect significant deterioration and severe reserve deficiency. We, therefore, require the District to submit a revised 2018-19 Budget and an updated FSP to restore and maintain the required reserves for those years.

DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2018-19 Adopted Budget reflects declining enrollment with projected average daily attendance (ADA) of 8,351 in 2018-19, 7,907 in 2019-20 and 7,501 in 2020-21. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 850 ADA, representing a 10.2 percent decrease from the District's 2018-19 ADA.

We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for the loss of revenue due to declining enrollment/attendance. However, the District will lose State funding over time if the decline in enrollment continues and it must carefully monitor its enrollment trends and adjust its financial projections accordingly for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's budget, certificated and classified labor contract negotiations for 2018-19 remain unsettled and potential increases have not been calculated and incorporated into budgeted salary and benefit expenditures. However, we have received your AB 1200 public disclosure documents indicating that the State Administrator will act on the tentative bargaining agreements between the District and the Inglewood Teachers Association and the California Professional Employees Union Local #2345 on September 19, 2019. The agreements cover the period beginning July 1, 2018, and ending June 30, 2021, and provide for no change to the salary schedules and set employer contribution to medical benefits at the Lowest Cost Kaiser HMO Plan for 2018-19 and 2019-20. According to the District's analysis, the cost of this settlement would not materially alter the District's near-term fiscal outlook.

2018-19 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the State Administrator adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

“Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act”

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon State Administrator approval. Please refer to IB No. 4843 titled “Budget and 45 Day Revision Process for 2018-19 and County Office of Education Budget Approval” dated July 3, 2018, for additional information. This bulletin can be found at the following website:

<https://www.lacoe.edu/Bulletins.aspx>

FOLLOW-UP ACTIONS

District Actions

In order for this office to approve the District's 2018-19 Revised Budget, the **District must respond with a new and complete SACS budget (i.e., all funds) that incorporates the 2017-18 Unaudited Actuals, all revisions and/or modifications as well as assumptions and State Criteria and Standards, along with an updated FSP to maintain solvency.**

Furthermore, the District's State Administrator must still do the following by October 8, 2018:

- Review the recommendations of the County Superintendent at a regular meeting of the State Administrator;
- Revise the budget to incorporate fiscal relief actions identified by the Department of Finance;
- Revise the budget to reflect changes in the projected income or expenditures subsequent to July 1, 2018, including incorporating the 2017-18 Unaudited Actuals data and any response to the recommendations of the County Superintendent;
- Make the 2018-19 Revised Budget and supporting data available for public review;
- Hold a public hearing regarding the proposed revisions to the budget;
- Adopt the 2018-19 Revised Budget; and
- Submit the 2018-19 Revised Budget to the County Superintendent.

The above actions, particularly the detailed narrative of assumptions and the State Administrator-adopted FSP, will be crucial factors in our review and approval of the District's 2018-19 Revised Budget, **due to the County Superintendent no later than October 8, 2018.**

County Superintendent Actions

By November 8, 2018, the County Superintendent must approve or disapprove the 2018-19 Revised Budget. This new budget, if approved, will become the District's official final budget for 2018-19. Resolution of the County Superintendent's concerns by October 8, 2018, will prevent a disapproval of the final budget and the subsequent imposition of a Budget Review Committee.

ASSEMBLY BILL 1840

With the signing of Assembly Bill 1840, the District is expected to make progress in reducing the structural deficit. The updated FSP should include key actions to reduce the projected deficit, as adjusted for negotiable and unallocated expenditure reductions, by 40 percent for 2019-20. Over the coming weeks, we will work with the District to address these fiscal challenges.

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
September 17, 2018
Page 5

CONCLUSION

The district is required to take necessary corrective action steps to address the disapproved budget and re-submit a sound budget by October 8, 2018. While the District's budget is not approved at this time, the County Superintendent is committed to working with the District's staff to address Inglewood Unified School District's fiscal challenges. If you have questions regarding your District's **budget disapproval**, please call Keith Crafton at (562) 922-6131, or your Business Services Consultant, Rick Chau at (562) 922-6505.

Sincerely,



Dr. Candi Clark,
Chief Financial Officer
Business Services

CC/KDC/RC

cc: Eugenio Villa, Chief Business Official, Inglewood Unified School District
Carmen Beck, Ed.D., Chief Academic Officer
Tom Torlakson, California Department of Education (CDE)
Nick Schweizer, CDE
Caryn Moore, CDE
Betty T. Yee, California State Controller
Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Erika F. Torres, Ed.D., MSW, Los Angeles County Office of Education (LACOE)
Arturo Valdez, LACOE
Keith D. Crafton, LACOE
Octavio Castelo, LACOE
Jeff Young, LACOE
Chris Burdy, LACOE
Rick Chau, LACOE
Patricia Smith, LACOE
Tracy Minor, LACOE
Dina Wilson, LACOE
Bonnie McFarland, LACOE
Jeanne Keith, LACOE

Exhibit B

LACOE Response Letter — 2018-19 LCAP and Budget Approval



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

Debra Duardo, M.S.W., Ed.D.
Superintendent

October 8, 2018

Los Angeles County
Board of Education

Thomas A. Saenz
President

James Cross
Vice President

Candace Bond McKeever

Douglas R. Boyd

Alex Johnson

Gregory McGinity

Monte E. Perez

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Melendez de Santa Ana:

Under Education Code (EC) Section 52070(d), the Los Angeles County Superintendent of Schools (County Superintendent) has completed the review of the Inglewood Unified School District's (District) Local Control and Accountability Plan (LCAP) for fiscal year (FY) 2018-19. The three criteria for LCAP approval per EC Section 52070(d) include:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations

Through the review and oversight process, it has been determined that your District's LCAP has met all three criteria. **This letter serves as your District's notification of approval of the LCAP.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula (LCFF) to increase and/or improve services to low-income, English Learner and foster youth student populations. To properly serve these targeted student groups who generated the funding, it is expected that S&C grant dollars be fully expended each fiscal year.

BUDGET APPROVAL

Under EC Section 42127, the County Superintendent has completed the review of your District's budget for fiscal year 2018-19. **That review has resulted in approving the District's budget** with these comments.

FISCAL STABILIZATION PLAN

The District's revised budget and the updated Fiscal Stabilization Plan (FSP) project positive ending fund balances and address a significant portion of the projected deficit spending from the original budget. The FSP identifies specific ongoing cost reduction measures, negotiable expenditure reductions and contingent revenue enhancements.

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
October 8, 2018
Page 2

In addition, the FSP includes new state funding from Assembly Bill 1840 (AB 1840) that will help to reduce deficits for 2019-20 and 2020-21 subject to the Fiscal Crisis and Management Assistance Team's final determination and the Department of Finance's concurrence.

For 2018-19

The District's revised adopted budget assumptions indicate the District has incorporated the relief provided by the State that include the deferral of the annual loan payment and specific program audit mitigation. With the projected cost savings from the state support, the District concluded negotiations with the certificated and classified bargaining units that provide minor changes to the employee medical benefits for 2018-19 and 2019-20.

For 2019-20

The FSP identifies \$3.9 million in ongoing non-contingent expenditure reductions that include reducing staff and realigning district and school site budget. The FSP also includes contingent cost savings and revenue enhancements totaling \$1.3 million that encompass facilities rental, employee health benefits adjustment and school consolidation.

For 2020-21

The FSP reflects cost reduction measures totaling \$4.7 million from ongoing and new non-contingent staff reductions and school consolidation, and \$4.3 million from ongoing and new contingent employee benefits adjustment and rental revenue from surplus land.

While the District has made good progress in addressing deficit spending, we noted the 2018-19 Revised Budget projections rely on contingent cost savings and revenue enhancements to balance the budget and maintain a positive General Fund balance. **We, therefore, require the District to submit an updated FSP that includes alternative options for contingent expenditure reductions and revenue enhancements, and allocates the adjustments for 2019-20 and 2020-21, along with the 2018-19 First Interim Report, due to the Los Angeles County Office of Education on or before December 17, 2018.**

RESERVE FOR ECONOMIC UNCERTAINTIES

We noted the District is projecting a reserve of 2.05 percent for 2018-19, 2.2 percent for 2019-20 and 2.35 percent for 2020-21, which does not meet the State Criteria and Standards minimum reserve requirement in those years. While passing AB1840 provides additional appropriation to address the district's projected operating deficit, the district must meet a qualified or positive certification while completing a comprehensive financial operational review. The County Office will work with the District's staff in the coming months to identify and implement additional ongoing cost reduction savings in 2018-19 that will help to restore and maintain the required reserves for the current and two subsequent fiscal years.

DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2018-19 Adopted Budget reflects declining enrollment with projected average daily attendance (ADA) of 8,351 in 2018-19, 7,907 in 2019-20 and 7,501 in 2020-21. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 850 ADA, representing a 10.2 percent decrease from the District's 2018-19 ADA.

We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for the loss of revenue due to declining enrollment/attendance. However, the District will lose State funding over time if the decline in enrollment continues and it must carefully monitor its enrollment trends and adjust its financial projections for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's budget, certificated and classified labor contract negotiations for 2017-18 and 2018-19 remain unsettled and potential increases have not been calculated and incorporated into budgeted salary and benefit expenditures. However, we have received your AB 1200 public disclosure documents indicating that the State Administrator approved the tentative bargaining agreements between the District and the Inglewood Teachers Association and the California Professional Employees Union Local #2345 on September 19, 2018. The agreements cover the period beginning July 1, 2018, and ending June 30, 2021, and provide for no change to the salary schedules and set employer contribution to medical benefits at the Lowest Cost Kaiser HMO Plan for 2018-19 and 2019-20. According to the District's analysis, the cost of this settlement would not materially alter the District's near-term fiscal outlook.

2018-19 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the Board adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

“Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act”

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon Governing Board approval. Please refer to IB No. 4843 titled “Budget and 45 Day Revision Process for 2018-19 and County Office of Education Budget Approval” dated July 3, 2018, for additional information. This bulletin can be found at the following website:

<https://www.lacoe.edu/Bulletins.aspx>

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
October 8, 2018
Page 4

AB139 – EXTRAORDINARY AUDIT

At the request of the District's management, the County Superintendent engaged an outside independent auditor in March 2018 to conduct a fraud audit concerning the Associated Student Body account at the Inglewood High School. The audit fieldwork is now completed, and we will make the report available to the District in the coming weeks. The District must address any possible financial improprieties and irregularities in the report with proposed corrective actions and provide a written response to the County Superintendent 30 days after the receipt of the audit report.

DEBT ISSUANCE

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified interim report certifications. EC Section 42133 (a) specifically addresses these requirements.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition.

We request the District to submit any such documents to this office commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team), or by the State Superintendent of Public Instruction, and/or a State control agency, and an internal audit division any time they are received by the District.

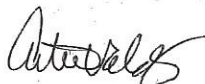
CONCLUSION

While the District has made good progress addressing the deficit spending from the original budget with specific and detailed cost reductions and revenue enhancements in the FSP, the District must implement and monitor the FSP to ensure that required reserves are realized as projected. The County Office will continue to work closely with the State Administrator and her staff to monitor the District's progress towards full recovery. If you have questions regarding your District's LCAP approval, please call Jeanne Keith at (562) 922-6354. If you have questions regarding your District's budget approval, please call Keith Crafton at (562) 922-6131 or your Business Services Consultant, Rick Chau at (562) 922-6505.

Sincerely,



Dr. Candi Clark
Chief Financial Officer
Business Services



Arturo Valdez
Chief Academic Officer
Educational Services

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
October 8, 2018
Page 5

CC/KDC/DW/RC

cc: Eugenio Villa, Chief Business Official, Inglewood Unified School District
Carmen Beck, Ed.D., Chief Academic Officer
Tom Torlakson, California Department of Education (CDE)
Nick Schweizer, CDE
Caryn Moore, CDE
Betty T. Yee, California State Controller
Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Debra Duardo, M.S.W., Ed.D., Los Angeles County Office of Education (LACOE)
Erika F. Torres, Ed.D., MSW, LACOE
Keith D. Crafton, LACOE
Jeff Young, LACOE
Octavio Castelo, LACOE ✓
Chris Burdy, LACOE
Patricia Smith, LACOE
Tracy Minor, LACOE
Dina Wilson, LACOE
Bonnie McFarland, LACOE
Jeanne Keith, LACOE

Exhibit C

LACOE Response Letter — 2018-19 First Interim Approval



Los Angeles County Office of Education

Serving Students • Supporting Communities • Leading Educators

Debra Duardo, M.S.W., Ed.D.
Superintendent

January 11, 2019

Los Angeles County
Board of Education

Thomas A. Saenz
President

James Cross
Vice President

Candace Bond McKeever

Douglas R. Boyd

Alex Johnson

Gregory McGinity

Monte E. Perez

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Melendez de Santa Ana:

Under Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed a review of the Inglewood Unified School District's (District) 2018-19 First Interim Report. Our analysis of the data provided indicates that the District may not meet its financial obligations for 2019-20 and 2020-21 without the additional state apportionment as described in Assembly Bill (AB) 1840. **We therefore concur with the District's qualified certification** and offer our comments and concerns.

FISCAL STABILIZATION PLAN

The District's First Interim projections and the updated Fiscal Stabilization Plan (FSP) identify additional cost reduction measures and revenue enhancements that will help to reduce deficits in the current and two subsequent years. The FSP continues to project additional state apportionments from AB1840 to mitigate deficit spending and achieve a balanced budget in 2019-20 and 2020-21.

For 2018-19

The District's First Interim assumptions indicate the District has implemented additional ongoing cost saving measures totaling \$1.48 million, resulting from reductions in health benefit costs for active employees and retirees, certificated and classified personnel costs, and other operating expenditures. The District also projects an increase in indirect cost credits from additional spending of carryover restricted program funds. When the ongoing cost savings and other adjustments are incorporated, the District projects a net reduction in deficits of \$1.45 million in 2018-19, \$1.48 million in 2019-20 and \$1.60 million in 2020-21.

For 2019-20

The FSP identifies \$3.79 million in ongoing non-contingent expenditure reductions that include realigning staffing levels to projected enrollment, reducing administration and school site budgets, and savings from the redesigned Health and Welfare program. The FSP also includes contingent revenue enhancements and expenditure reductions totaling \$0.75 million that encompass facility rentals and school consolidations.

For 2020-21

The FSP reflects cost reduction measures totaling \$6.62 million from ongoing and additional reductions of staffing, administration and school site budgets, and continued savings from the redesigned Health and Welfare program. The FSP also includes contingent actions of \$1.25 million in additional revenues from the renewal of the current facilities use agreement, the sale and/or lease of surplus land and \$1.0 million cost savings from additional school consolidations.

It is critical that the District implement the non-contingent cost saving measures in the adopted FSP. Without the cost savings of \$3.79 million in 2019-20 and \$6.62 million in 2020-21, the District may not be able to meet the conditions set forth in AB 1840 to receive the additional state apportionment necessary to restore reserves to the minimum required level. **We require the District to submit an updated FSP that provides the implementation status of the plan and includes alternative options for contingent expenditure reductions and revenue enhancements, along with the 2018-19 Second Interim Report, due to the Los Angeles County Office of Education on or before March 18, 2019.**

RESERVE FOR ECONOMIC UNCERTAINTIES (REU)

The District is projecting a reserve of 3.20 percent for 2018-19, 3.46 percent for 2019-20 and 3.54 percent for 2020-21, which meet the State Criteria and Standards required minimum REU. However, we noted the District's First Interim projections rely on additional apportionments of \$4.59 million in 2019-20 and \$6.20 million in 2020-21 to achieve a balanced budget and to meet the minimum required reserve levels. To qualify for additional funds in 2019-20 and 2020-21, AB1840 mandates that the District must meet the requirements for a qualified or positive certification for the District's 2018-19 Second Interim Report, and complete a comprehensive financial operational review in the current fiscal year. The County Office will continue to work with the District's staff to identify and implement additional ongoing cost reduction savings and revenue enhancements, that will help to restore and maintain the required reserves for the current and two subsequent fiscal years and to achieve fiscal sustainability.

DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2018-19 First Interim Report reflects declining enrollment with projected average daily attendance (ADA) of 8,344 in 2018-19, 7,901 in 2019-20 and 7,495 in 2020-21. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 849 ADA, representing a 10.2 percent decrease from the District's 2018-19 ADA.

We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for the loss of revenue due to declining enrollment/attendance. However, the District will lose State funding over time if the decline in enrollment continues and it must carefully monitor its enrollment trends and adjust its financial projections for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM (FCMAT) PROGRESS REPORT

FCMAT completed the 2017-18 annual assessment of the District's progress and reported the results in the July 2018 Progress Report. While the report indicates a moderate improvement from the prior fiscal year, the County Superintendent remains concerned that many issues are still unresolved. The County Office is working with the District to address concerns raised by FCMAT, and to assist the District in finding sustainable solutions that will lead to full financial recovery.

AB139 – EXTRAORDINARY AUDIT

At the request of the District management, the County Superintendent engaged an outside independent auditor to conduct a fraud audit concerning the Associated Student Body account at Inglewood High School. The County Office presented the final audit report at the District Board Meeting on December 5, 2018. The audit report cites the lack of District oversight and little to no internal controls in place to prevent financial improprieties and irregularities that occurred during the audit period from July 1, 2015 to August 31, 2017. The audit report also provides recommendations to remedy those audit findings. **The District must address the financial improprieties and irregularities identified in the report with proposed corrective actions and submit a written response, along with the 2018-19 Second Interim Report, due to the Los Angeles County Office of Education on or before March 18, 2019.**

DEBT ISSUANCE

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified interim report certifications. EC Section 42133 (a) specifically addresses these requirements.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition.

We request the District to submit any such documents to this office commissioned by the District (e.g., reports completed by FCMAT, or by the SPI, and/or a State control agency, and an internal audit division any time they are received by the District.

CONCLUSION

Since the adoption of the 2018-19 budget, the District has implemented ongoing cost reduction measures that resulted in a significant reduction in projected operating deficits in the current and two subsequent years. While the District has made good progress addressing deficit spending, the District must continue to implement and monitor the FSP to ensure that required reserves are realized as projected. The County Office will continue to work closely with the State Administrator and staff to monitor the District's progress towards full recovery.

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
January 11, 2019
Page 4

Thank you for providing documentation that supports the District's qualified certification. The multiyear projections, with narrative and assumptions, were helpful in our analysis of the 2018-19 First Interim Report and in verifying the District's fiscal condition. The information provided reflects the District's financial position and assumptions as of October 31, 2018, and further adjustments will be made during the year as additional data becomes available.

We hope these comments help the District administration and board as you plan for the remainder of 2018-19 and develop your projections for 2019-20 and 2020-21. We wish to express our appreciation to the District staff for their cooperation during the review of the 2018-19 First Interim Report. If you have questions regarding your District's budget approval, please call Keith D. Crafton at (562) 922-6131 or Rick Chau at (562) 922-6505.

Sincerely,



Dr. Candi Clark
Chief Financial Officer
Business Services

CC/KDC/RC:vb

cc: Eugenio Villa, Chief Business Official, Inglewood Unified School District
Tony Thurmond, California Department of Education (CDE)
Nick Schweizer, CDE
Caryn Moore, CDE
Betty T. Yee, California State Controller
Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Debra Duardo, M.S.W., Ed.D., Los Angeles County Office of Education (LACOE)
Erika F. Torres, Ed.D., MSW, LACOE
Keith D. Crafton, LACOE
Jeff Young, LACOE
Octavio Castelo, LACOE
Jennifer L. Kirk, LACOE
Patricia Smith, LACOE
Tracy Minor, LACOE

Exhibit D

Inglewood USD 2018-19 Fiscal Stabilization Plan

2018-19 First Interim Financial Report: Fiscal Stabilization Plan

Inglewood Unified School District		2018-19 First Interim Budget				
Fiscal Stabilization Plan 2018-19 First Interim Budget						
		One-time/ Ongoing	2018-19	2019-20	2020-21	Notes:
	Operating Deficit (as of July 1, 2018) (revised budget and MYP)		(614,978)	(9,850,200)	(14,238,400)	
	Net Reduction / (Increase) to Projected Operating Deficit - Adopted Budget vs First Interim Report		1,450,075	1,467,458	1,599,488	
	Projected Operating Surplus (Deficit) (as of October 31, 2018) (First Interim Report and MYP)		835,097	(8,382,742)	(12,638,912)	
	Planned Actions Not Contingent on Negotiations or Other Factors:					
1	Reduction in District Office Admin & Support Staff in 2019-20	Ongoing		500,000	500,000	
2	Reduction in Elementary Assistant Principals 1 FTE in 2019-20	Ongoing		125,000	125,000	
3	Reduction in 4 Custodian FTEs (district-wide) 2019-20 and an additional 4 FTEs (distric-wide) in 2020-21	Ongoing		240,000	480,000	
4	Reduction in 12 classroom teacher FTEs for 2019-20	Ongoing		985,200	985,200	
5	Reduction in 2 FTEs Secondary Level Counselor Positions	Ongoing		215,000	215,000	
6	Reduction in WC Rate from 4% to 3% effective 7/1/2019	Ongoing		575,000	575,000	
7	Reduction in Capital Expenditures in GF	Ongoing		40,000	40,000	
8	Reduction in student referrals to SCROC/on-site FTEs	Ongoing		100,000	100,000	
9	Reduction in 2 FTE District Police Officers	Ongoing		160,000	160,000	
10	Reduction in District Office operating Budgets (10% 2019-20 and an additional 15% 2020-21)	Ongoing		200,000	500,000	
11	Reductions in School Site Budgets due to declining enrollment (7.5% in 2019-20) and an additional 7.5% in 2020-21	Ongoing		150,000	300,000	
12	Health & Welfare program design changes	Ongoing		500,000	1,000,000	
13	Additional District Office Admin and Support Staff in 2020-21	Ongoing			300,000	
14	Restructuring of School Police Department	Ongoing			500,000	
15	Additional Reduction in 10 classroom teacher FTEs in 2020-21	Ongoing			838,200	
	Total Planned Reductions and Other Budget Measures to Reduce Deficit (Not Contingent)		-	3,790,200	6,618,400	
	as a % of Total Operating Deficit		-	45%	52%	
	Planned Actions Contingent on External and Other Factors		-	(4,592,542)	(6,020,512)	
	as a % of Total Operating Deficit			55%	48%	
	Planned Actions Contingent on External and Other Factors:					
1	Continuation of Facilities Use Agreement with Animo Charter School	Ongoing		250,000	250,000	Negotiations with Animo
2	Potential revenue from leasing of underutilized or surplus land (estimated)	Ongoing		-	1,500,000	Contingent on deals materializing in timeframe
3	Additional School Consolidation (savings on personnel, utilities, and operating costs)			500,000	1,000,000	Enrollment and Available Facilities
	Planned Actions Contingent on External and Other Factors:		-	750,000	2,750,000	
	as a % of Total Operating Deficit		-	9%	22%	
	Operating Deficit after District Stabilization Measures Are Enacted		-	(3,842,542)	(3,270,512)	
	PROJECTED: AB 1840 State Revenues		-	3,842,542	3,270,512	
				46%	26%	

Exhibit E

FCMAT MYFP for Inglewood USD

Inglewood Unified School District										
2/27/2019		2018-19 1st Interim UNRESTRICTED	2018-19 1st Interim RESTRICTED	2018-19 Combined	2019-20 Projected UNRESTRICTED	2019-20 Projected RESTRICTED	2019-20 Combined	2020-21 Projected UNRESTRICTED	2020-21 Projected RESTRICTED	2020-21 Combined
Funded ADA - IUSD's		8,116.57			7,614.20			7,120.42		
Funded ADA - La Tijera Charter		730.97			730.97			730.97		
Percentage change in ADA from Prior Year					-6.19%			-6.48%		
Statutory COLA %		1.0271	1.0271		1.0346	1.0346		1.0286	1.0286	
CPI		1.0358	1.0358		1.0318	1.0318		1.0305	1.0305	
A. REVENUE										
OBJECT										
1. LCFF Sources		8010-8099	97,253,224	0	97,253,224	95,284,746	0	95,284,746	92,733,938	0
Prior Year Adjustments		8019/8091	356,657	0	356,657	0	0	0	0	0
2. Federal Revenues		8100-8299	4,821	14,911,349	14,916,170	4,821	11,992,297	11,997,118	4,821	11,023,406
3. Other State Revenues		8300-8599	3,259,321	6,882,080	10,141,401	1,532,833	6,660,380	8,193,213	1,450,976	6,635,073
4. Other Local Revenues		8600-8799	904,000	1,333,644	2,237,644	967,671	1,860,771	2,828,442	1,047,671	1,597,208
TOTAL REVENUE			101,778,023	23,127,073	124,905,096	97,790,071	20,513,448	118,303,519	95,237,406	19,255,687
B. EXPENDITURES										
Base Salaries		1000 - 1999	31,512,725	10,941,166	42,453,891	31,653,192	11,004,587	42,657,779	30,674,687	11,065,272
19-20 FSP Staff reductions		0.00%	0	0	0	(1,200,000)	0	(1,200,000)	0	0
20-21 FSP Staff reductions		0.00%	0	0	0	0	0	(705,000)	0	(705,000)
				0	0	0	0	0		
Total Certificated Salaries			31,512,725	10,941,166	42,453,891	30,453,192	11,004,587	41,457,779	29,969,687	11,065,272
					0	0	0	0	0	0
Base Salaries		2000 - 2999	9,828,352	6,307,715	16,136,067	9,833,421	6,310,465	16,143,886	9,523,492	6,313,217
19-20 FSP Staff reductions		0.00%	0	0	0	(315,000)	0	(315,000)	0	0
20-21 FSP Staff reductions		0.00%	0	0	0	0	0	(415,000)	0	(415,000)
				0	0	0	0	0	0	0
Total Classified Salaries			9,828,352	6,307,715	16,136,067	9,518,421	6,310,465	15,828,886	9,108,492	6,313,217
TOTAL SALARIES:			41,341,077	17,248,881	58,589,958	39,971,613	17,315,052	57,286,665	39,078,179	17,378,489
3. Employee Benefits		3000-3999	18,875,284	7,751,754	26,627,038	18,875,284	7,850,591	26,725,875	17,892,099	7,952,879
19-20 FSP Staff reductions					0	(983,185)		(983,185)		0
20-21 FSP Staff reductions								(500,000)		(500,000)
Total Employee Benefits			18,875,284	7,751,754	26,627,038	17,892,099	7,850,591	25,742,690	17,392,099	7,952,879
4. Books and Supplies		4000-4999	882,174	4,101,011	4,983,185	806,959	3,117,628	3,924,587	705,264	3,149,105
5. Services, Other Op.		5000-5999	8,528,528	20,348,283	28,876,811	8,421,639	19,817,903	28,239,541	8,218,635	19,281,019
6. Capital Outlay		6000-6999	40,000	75,000	115,000	0	75,000	75,000	0	75,000
7. Other Outgo		7100-7299	502,820	3,690,502	4,193,322	402,820	4,390,502	4,793,322	402,820	5,090,502
8. Direct/Indirect Costs		7300-7399	(1,703,036)	1,293,368	(409,668)	(1,583,988)	1,174,320	(409,668)	(1,509,393)	1,099,725
9. Debt Service		7400-7499	0	0	0	1,831,984	0	1,831,984	1,831,984	0
TOTAL EXPENDITURES			68,466,847	54,508,799	122,975,646	67,743,125	53,740,996	121,484,121	66,119,588	54,026,719
C. EXCESS/DEFICIENCY			33,311,176	-31,381,726	1,929,450	30,046,946	-33,227,548	-3,180,602	29,117,818	-34,771,032
D. OTHER SOURCES										
1. Interfund Transfers In		8910-8929	0	0	0	0	0	0	0	0
2. Interfund Transfers Out		7610-7629	0	0	0	0	0	0	0	0
3. Other Sources In		8930-8979	0	0	0	0	0	0	0	0
4. Other Uses Out		7630-7699	0	0	0	0	0	0	0	0
5. Contrib./Restricted Programs		8980-8999	(33,061,147)	33,061,147	0	(34,690,925)	34,690,925	(0)	(35,877,315)	35,877,315
					0	0	0			0
TOTAL SOURCES/USES			(33,061,147)	33,061,147	0	(34,690,925)	34,690,925	(0)	(35,877,315)	35,877,315
CHANGE TO FUND BALANCE			250,029	1,679,421	1,929,450	(4,643,979)	1,463,377	(3,180,602)	(6,759,497)	1,106,283
F. FUND BALANCE, RESERVES										
NET BEGINNING BALANCE:			3,290,329	3,395,626	6,685,954	3,540,358	5,075,047	8,615,405	(1,103,622)	6,538,424
AUDIT ADJUSTMENT			0	0	0	0	0	0	0	0
RESTATEMENTS			0	0	0	0	0	0	0	0
ENDING BALANCE:			3,540,358	5,075,047	8,615,405	(1,103,622)	6,538,424	5,434,802	(7,863,119)	7,644,707
COMPONENTS OF ENDING BALANCE:										
REVOLVING CASH			100,000	0	100,000	100,000	0	100,000	100,000	0
PREPAID			0	0	0	0	0	0	0	0
STORES			80,000	0	80,000	80,000	0	80,000	80,000	0
REQUIRED RESERVE		3.00%	3,689,269	0	3,689,269	3,644,524	0	3,644,524	3,604,389	0
Legally Restricted			0	5,075,047	5,075,047	0	6,538,424	6,538,424	0	7,644,707
Other Commitments			0	0	0	0	0	0	0	0
UNAPPROPRIATED			(328,912)	0	(328,912)	(4,928,146)	0	(4,928,146)	(11,647,508)	0