FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

Amador County Office of Education/ Amador County Unified School District

Multiyear Financial Projection

April 29, 2019

Michael H. Fine
Chief Executive Officer

April 29, 2019

Amy Slavensky, Superintendent
Amador County Unified School District
Steve Russell, Superintendent
Amador County Office of Education
217 Rex Avenue
Jackson, CA 95642

Dear Superintendents Slavensky and Russell:

In October 2018, the Amador County Office of Education/Amador County Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance. Specifically, the agreement states that FCMAT will perform the following:

1. Review the county office's 2018-19 adoption general fund budget and use it as a baseline to develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the county's financial status. The MYFP will be a snapshot in time of the county's current financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the county eliminate its structural deficit and maintain fiscal solvency.

2. Review the district's 2018-19 adoption general fund budget and use it as a baseline to develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district eliminate its structural deficit and maintain fiscal solvency.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve you and we extend thanks to all the staff of the Amador County Office of Education/Amador County Unified School District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

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About FCMAT

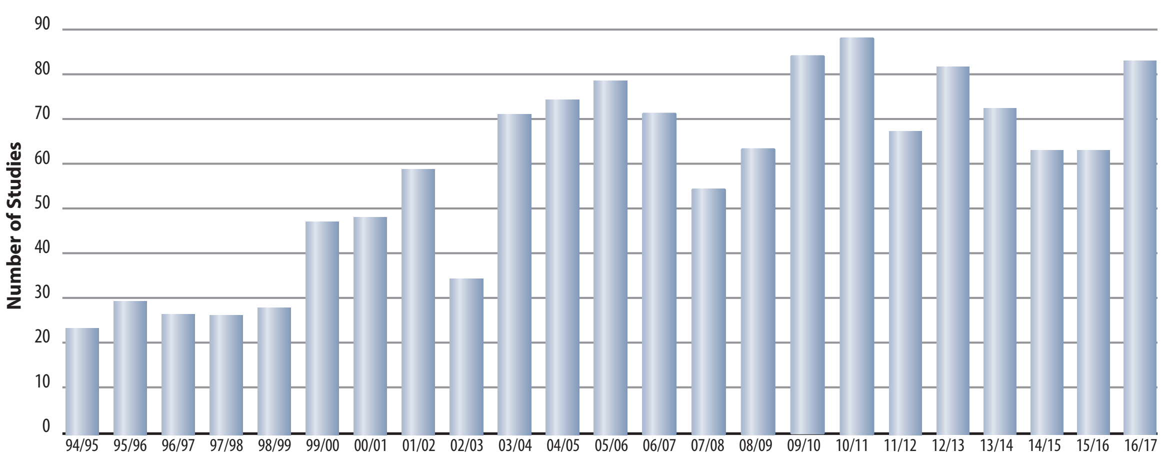
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

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

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Located in the Sierra Nevada foothills approximately 45 miles southeast of Sacramento, the Amador County Office of Education and the Amador County Unified School District serve the students of Amador County. The county covers 593 square miles and includes the cities of Jackson, Ione, Sutter Creek, and several other small, rural communities. The district and the county office serve approximately 4,100 students in two comprehensive high schools, one alternative high school, two middle schools, six elementary schools, one charter school, and one county community school. In addition, state preschool, career technical education, independent study, adult education, and special education programs are provided. Amador is one of only seven single-district counties in the state. The district and the county office are governed by a single five-member board of trustees, and a single superintendent served both agencies until January 2019, when a newly elected county superintendent took office. The agencies also share business services, human resources, and other administrative and support staff.

The district and the county office have experienced deficit spending in the unrestricted general fund over the 2016-17 and 2017-18 fiscal years. The 2017-18 unaudited actuals report indicated that neither the district nor the county office had met the required minimum reserve for economic uncertainties. In October 2018, the district and the county office requested that FCMAT review their 2018-19 general fund budgets, develop a multiyear financial projection (MYFP), and make recommendations for expenditure reductions and/or revenue enhancements to help the district and county office eliminate their structural deficit and maintain fiscal solvency.

Study and Report Guidelines

FCMAT visited the district on December 18-19, 2018 to conduct interviews, collect data and review documents with additional off-site work during the weeks that followed. The team reviewed numerous documents and financial reports, including the agencies' annual independent audits, unaudited actuals, financial system reports, attendance reports, and other historical financial information pertinent to the study. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Multiyear Financial Projections
- Revenue Enhancements and Expenditure Reductions
- Appendices

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Debbie Riedmiller, CFE
FCMAT Intervention Specialist
Bakersfield, CA

Jeff Potter, CFE
FCMAT Intervention Specialist
Dublin, CA

Leonel Martínez
FCMAT Technical Writer
Bakersfield, CA

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

One of FCMAT's main objectives in this study was to review and validate the financial status of the district and county office. The team reviewed numerous documents and financial reports, including both agencies' annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical financial information pertinent to the study. The independent MYFPs were developed based on the 2018-19 first interim report as well as additional information from the agencies' financial system and staff.

The district has experienced deficit spending in three of the last four years, and the unrestricted ending fund balance has declined by over $2.8 million between July 1, 2014 and June 30, 2018. When the books were closed for 2017-18, neither the district nor the county office had met the required reserve for economic uncertainties. The 2018-19 adopted budget projected a small surplus for the agencies; however, reserve levels were not projected to be restored in 2018-19.

The district and the county office are housed in the same building and the district absorbs most of the expenditures related to accounting and management support, comprehensive insurance, office space and other miscellaneous internal services. Expenses for certain administrative and support personnel are allocated at 85% to the district, and 15% to the county office. Although the agencies routinely share resources, each maintains its own budget, separate from the other's budget. The district and the county office have traditionally been served by one superintendent. The district superintendent is hired by the district board and serves under contract with the district, and the county office superintendent is chosen by the electorate. In the June 2018 election, a teacher employed by the county office was elected as that agency's superintendent, and the new structure has presented some unique and difficult problems. The two agencies lack formal written agreements, such as those for special education services, that outline the roles and responsibilities of each agency, as well as any associated fee structures. At the time of FCMAT's visit, the two agencies were working to define roles, responsibilities, relationships, and structures as independent organizations. It is imperative that both agencies work collaboratively, and that educational priorities take precedence over leadership and organizational differences. In addition, because the county office superintendent and the district superintendent have traditionally been the same person, the county office superintendent salary has been set at $1 per month, but the newly elected county office superintendent has asked the board to consider a much higher salary.

In 2016, the district entered into an agreement for an energy conservation project for a reported $10 million, which was to be paid for with a combination of Proposition 39 funding, lease financing arrangement, energy bonds, and energy savings. However, the project's solar portion was not completed by the end of 2017-18, and the projected energy savings was not realized. The district is to pay the portion that remains on the contract from energy savings, and without the savings, this places a heavy financial burden on its budget. The unpaid portion of the contract was reported to be approximately $1 million, and this obligation is not reflected in the district's budget. Moreover, debt service payments on the lease financing and the energy bonds are an additional obligation of the district's unrestricted general fund. The district makes interest-only payments on the energy bonds through 2024-25, and in 2025-26 annual debt service payments will increase from $175,209 to $615,264. This is a significant increase for which the district will need to plan.

The county office authorized the Shenandoah Valley Charter School in 2014 and the school began operations in the 2014-15 fiscal year. Enrollment was 35 students in the first year of operation and peaked at 47 students in 2017-18. Enrollment reported on the 2018-19 CALPADS

Fall 1 was 41. However, as this report was being finalized, county office staff reported to FCMAT that enrollment for 2018-19 had declined significantly to 13 students. County office staff also reported that staffing was not reduced with the decline in enrollment, with two teachers, an administrative assistant, and a part-time principal serving the charter. The county office superintendent and board are evaluating the viability of the charter school for the future.

A review of class sizes at each of the district schools found that class size is well under the agreed-upon maximum at most schools, especially at the junior high and high school levels. The certificated bargaining agreement allows a maximum of 35 students per class at grades 7-12. Class sizes range between 22-24 in core subject classes at the junior high schools. At the high schools, 63% of classes offered had 25 or fewer students enrolled.

The original study agreement between the district and the county office and FCMAT stated that the 2018-19 adopted budget would be used as the baseline to develop a MYFP. However, first interim reports for the district and the county office had been completed just prior to fieldwork, so the 2018-19 first interim budgets were used instead. FCMAT's MYFP is based on the governor's 2019-20 proposed state budget released in January 2019. District and county office events and actions taken after the date of fieldwork have not been incorporated into the MYFP.

FCMAT's multiyear financial projection shows that, based on current assumptions, neither the district nor the county office will meet the required level of reserve for economic uncertainties in the current or two subsequent fiscal years. The district and the county office will need to make significant expenditure reductions to maintain the required reserve in all three years of the projection.

The following is a summary of FCMAT's projection of the district's unrestricted general fund balances for the current and two subsequent fiscal years.

Amador County Unified School District, Unrestricted Resources

	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues	$38,420,750.00	$39,684,383.00	$41,696,421.00
Expenditures	$37,428,669.00	$38,010,210.60	$38,949,742.80
Other Financing Sources/Uses	($1,370,878.00)	($1,569,469.80)	($1,630,366.91)
Net Increase (Decrease) in Fund Balance	($378,797.00)	$104,702.60	$1,116,311.29
Beginning Fund Balance	$206,645.75	($172,151.25)	($67,448.65)
Ending Fund Balance	($172,151.25)	($67,448.65)	$1,048,862.64
Reserve for Economic Uncertainties	$1,280,095.61	$1,252,534.46	$1,284,471.09
Undesignated/Unappropriated	($1,452,246.86)	($1,319,983.11)	($235,608.45)

The district's unrestricted ending fund balance is projected to be negative in the current and first subsequent year; therefore, it must take immediate action in the current year to avoid insolvency and maintain local governance. Using the current assumptions, the district begins to recover because of projected increases in enrollment and LCFF revenues. However, it is still projected to be short of the minimum required reserve for economic uncertainties in all three years of the projection. If enrollment does not grow as projected, the shortfall will be even greater.

The following is a summary of FCMAT's projection of the county office's unrestricted general fund balances for the current and two subsequent fiscal years.

Amador County Office of Education, Unrestricted Resources

	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues	$3,141,825.00	$3,061,614.00	$3,032,592.00
Expenditures	$2,765,431.00	$2,819,177.56	$2,889,944.16
Other Financing Sources/Uses	($485,000.39)	($553,872.44)	($593,401.60)
Net Increase (Decrease) in Fund Balance	($108,606.39)	($311,436.00)	($450,753.76)
Beginning Fund Balance	$79,331.00	($29,275.39)	($340,711.39)
Ending Fund Balance	($29,275.39)	($340,711.39)	($791,465.15)
Reserve for Economic Uncertainties	$524,531.72	$517,461.00	$530,185.21
Undesignated/Unappropriated	($553,807.11)	($858,172.39)	($1,321,650.36)

The county office is projected to have a negative unrestricted ending fund balance in all three years of the projection; therefore, it also must take immediate action in the current year to reduce ongoing expenditures to avoid insolvency and maintain local governance.

The number shown as a negative in the undesignated/unappropriated fund balance is the amount by which budgeted expenditures must be reduced or revenues increased to meet the reserve requirements in accordance with AB 1200.

An entity that continues to spend more than it receives depletes its cash resources. The agencies should implement immediate expenditure reductions to avoid running out of cash and becoming insolvent. The consequences of becoming cash insolvent are severe and should be avoided to prevent state intervention and to maintain local governance and control.

The state superintendent of public instruction (SPI) serves as the oversight agency for county offices and any school district for which the county board of education serves as the governing board of the school district. If the SPI determines that the district or county office cannot meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the SPI must follow Education Code 1630 to assist the county office or school district. The SPI may take certain actions to ensure that the county office or the district meet its financial obligations.

If it is determined that an LEA has insufficient funds to meet its current obligations, an emergency apportionment loan can be requested from the state. Until the loan is repaid to the state, the SPI may assume all the legal rights, duties, and powers of the governing board and may appoint an administrator or trustee to act on behalf of the superintendent. The most effective way for the district to avoid such an intervention is to implement a financial plan that identifies revenue enhancements and/or expenditure reductions to eliminate deficit spending.

Subsequent Events

Subsequent to fieldwork, district staff informed FCMAT that it had received a $193,000 restitution payment from a former employee. This one-time source of revenue is not included in FCMAT's projections. Staff also reported to FCMAT that it is expecting a refund of $140,000 for reimbursement of telecommunication overcharges that had not yet been received. This one-time source of revenue is also not included in FCMAT's projections. In addition, staff reported that the board approved classified layoffs that would take effect in the current year. The layoffs had not yet taken effect at the time of fieldwork and are not included in the MYFP.

Subsequent to fieldwork, county office staff reported to FCMAT that charter school enrollment had declined from 41 students to 13. FCMAT's projection was based on the 2018-19 CALPADS Fall 1 reported enrollment of 41 students. The county office's LCFF revenues will likely decline in the current and subsequent years of the projection because of decreasing enrollment. In addition, staff reported that the board had set the county office superintendent's salary at $38,500 plus $10,050 for health and welfare benefits annually. The salary and related benefits are not included in the budget or MYFP. County office staff also reported that the board approved classified layoffs that would take effect in the current year. The layoffs had not taken effect at the time of fieldwork and are not included in the MYFP. On January 30, 2019 the new county superintendent rescinded the layoff notice of one classified employee.

Just prior to fieldwork, the district and the county office filed their 2018-19 first interim reports with the California Department of Education (CDE). The agencies each filed a qualified certification. The CDE concurred with the district's qualified certification; however, it changed the county office's certification from qualified to negative.

Findings and Recommendations

Multiyear Financial Projections

Multiyear financial projections are a fiscal-planning method that allows the board, district, and county office to make budget decisions that strategically allocate current and future resources in alignment with its goals. Assembly Bill (AB) 1200 and AB 2756 require multiyear financial projections, and they are a part of the adoption budget and interim reporting process.

In June 2004, AB 2756 (Daucher) was passed and signed into law on an urgency basis. This legislation made substantive changes to the financial accountability and oversight processes used to monitor the fiscal position of school districts and county offices of education. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI), county offices of education and FCMAT and their ability to intervene during fiscal crises.

California school districts and county offices use many different methods and software products to prepare multiyear financial projections. The projections for the district's and county office's general fund used in this report were prepared using FCMAT's Budget Explorer multiyear projection software, a web-based forecasting tool that is available at no cost to all California school districts. FCMAT reviewed the district's and the county office's revenue and expenditure trends during recent years, used industry-standard variables provided by School Services of California (SSC) Financial Dartboard and based its projection on the district's and the county office's 2018-19 first interim budget for the current and two subsequent fiscal years.

Any forecast of financial data has inherent limitations because calculations are based on certain assumptions and criteria, including enrollment trends, cost-of-living increases, forecasts of costs for utilities, fuel and other consumables, and local, state and national economic conditions. Therefore, the projection should be viewed as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. Multiyear financial projections can serve as the basis for more informed decisions and provide the ability to forecast the fiscal effects of decisions, but they should be updated at least at each interim financial reporting period and in preparation for negotiations.

When developing a MYFP, attention is focused on the ability of a local educational agency (LEA) to meet its required reserve for economic uncertainty and achieve a positive unappropriated fund balance. The deficit spending trends of the district and county office indicate that they need to increase revenue, decrease expenditures, or both to maintain a positive unappropriated fund balance. When the unappropriated fund balance is negative, it represents the amount by which budgeted expenditures must be reduced or revenues increased to meet the reserve requirements in accordance with AB 1200.

California LEAs must continue to plan for the slowing of funding growth. The largest funding increases from LCFF implementation occurred in prior fiscal years, and state revenue growth has slowed. The approval of the income tax extension (Proposition 55) by California voters will continue to support state revenues through 2030, but the revenue is expected to be volatile, how much will be generated is uncertain.

The district and the county office face their own specific set of financial risk factors based on reserve levels, enrollment trends, employee compensation, degree of revenue volatility and various other local and statewide factors and must plan accordingly to meet ongoing academic and program objectives while maintaining fiscal solvency.

In such an uncertain environment, all LEAs should strive to maintain fiscal solvency and protect the integrity of educational programs by performing the following:

1. Maintaining adequate reserves to allow for unanticipated circumstances (with the adequate level based on each LEA's unique situational assessment).
2. Maintaining fiscal flexibility by limiting commitments to future increased expenditures based on projections of future revenue growth, and/or establishing contingencies that allow expenditure plans to be changed as needed.

Budget Assumptions for 2018-19 and MYFP

The key planning factors and budget assumptions used to project the 2018-19 budget and multiyear financial projection are listed below and are based on the latest information available.

Planning Factor	2018-19	2019-20	2020-21
LCFF COLA (school districts and charter schools)	3.7%	3.46%	2.86%
Statutory COLA (Department of Finance-DOF)	2.71%	3.46%	2.86%
State Categorical COLA	2.71%	3.46%	2.86%
LCFF Gap Funding Percentage (DOF)	100.00%		
California CPI	3.58%	3.18%	3.05%
Interest Rate for Ten-Year Treasuries	2.87%	3.19%	3.19%
California Lottery, Unrestricted per ADA	$151	$151	$151
California Lottery, Restricted per ADA (Prop 20)	$53	$53	$53
Mandate Block Grant, District (K-8), per ADA	$31.16	$32.24	$33.16
Mandate Block Grant, District (9-12), per ADA	$59.83	$61.90	$63.67
Mandate Block Grant, Charter (K-8), per ADA	$16.33	$16.90	$17.38
Mandate Block Grant, Charter (9-12), per ADA	$45.23	$46.79	$48.13
Mandate Block Grant, county office (K-8), per ADA	$32.21	$33.32	$34.27
Mandate Block Grant, county office (9-12), per ADA	$60.88	$62.98	$64.78
One-Time Discretionary Funds per ADA	$184	$0	$0
CalPERS Employer Rate (projected)	18.062%	20.7%	23.4%
CalSTRS Employer Rate (statutory)	16.28%	17.10%	18.10%
Step and Column, Certificated	1.50%	1.50%	1.50%
Step and Column, Classified	1.80%	1.80%	1.80%
Indirect Cost Rate (district)	5.06%	6.18%	6.18%
Indirect Cost Rate (county office)	3.95%	4.93%	4.93%

Sources: School Services of California (SSC) 2019-20 Proposed State Budget Dartboard, CDE, district and county office records

Enrollment and Average Daily Attendance (ADA) Projections

Accurate enrollment tracking and analysis of ADA are essential in providing a solid foundation for budget planning, and projecting both amounts into future years is a core component of any multiyear financial projection. Because much of the agency's funding is based on the total number of student attendance days, monitoring and projecting student enrollment and attendance are crucial. When enrollment and related ADA increase or decline, the district and the county office must consider the budgetary effects on instructional and other staffing, as well as other operating expenses, and plan accordingly. Enrollment projections should be prepared frequently and with sufficient detail by grade level to monitor and project class sizes in subsequent years.

If an LEA is declining in enrollment and related ADA, it must exercise extreme caution regarding strategic decisions that will affect the budget, such as negotiations with collective bargaining units, staffing ratios and deficit spending. The district and the county office must perform their due diligence when developing and maintaining their budgets to sustain future financial stability. The county office, whose LCFF revenue partially depends on the single district of Amador Unified, must exercise the same level of due diligence in monitoring the district's enrollment.

School agencies are bound by an annual deadline of March 15 to provide notice to certificated staff if employment may be terminated in the subsequent year. To ensure appropriate action is taken by this deadline, an LEA must have up-to-date enrollment and ADA projections based on the most current information and estimates to determine whether notices are necessary; if so, how many notices, and have adequate time to prepare them. Once the deadline has passed, the opportunity to reduce certificated staffing levels is lost along with the funding necessary to offset those costs. Failure to identify potential reductions in revenue and plan for necessary staffing reductions in a timely manner can have a significant impact on the agency's financial position.

Historical enrollment and attendance patterns help identify potential changes in grade level enrollment in future years. The primary source of funding for LEAs comes from the LCFF, which contains numerous calculations, and many of these are based on student enrollment and ADA by grade level.

LCFF funding for school districts is calculated based on the current or prior year period 2 (P-2) ADA report, whichever is greater. P-2 ADA is calculated based on student attendance from the first day of school through the last school month ending on or before April 15. LCFF funding for charter schools is calculated based on current year P-2 ADA, and for county offices, this funding is calculated based on the county office's current year annual ADA. LCFF funding is also partly determined by the LEA's unduplicated pupil percentage (UPP), which is based on a three-year rolling average of the number of enrolled students who are eligible for free/reduced priced meals or identified as English learners and/or foster youth divided by total enrollment; eligibility is only counted as one if the student meets multiple criteria. FCMAT used the district's five-year historical average UPP for the district's UPP in the two projected years.

Amador Unified Enrollment, ADA, and UPP

FCMAT reviewed the district's enrollment and ADA for 2013-14 through 2017-18 and the October 2018 enrollment data. The review compared the October California Longitudinal Pupil Achievement Data System (CALPADS) student enrollment counts to the April P-2 ADA to determine the average ADA-to-enrollment ratios. Historical data indicates that the district has experienced six years of increasing enrollment. FCMAT's projections indicate that district enrollment will continue to increase in the next two years. The district needs to carefully monitor and project enrollment and ADA at each reporting period to ensure that the most recent data is included in its budget assumptions.

FCMAT used the cohort survival technique to project the district's enrollment. Cohort survival groups students by grade level on entry and tracks them through each year they stay in school. This method evaluates the longitudinal relationship of the number of students passing from one grade to the next in the subsequent year. In doing so, the technique more closely accounts for retention, dropouts, and new and departing students by grade. Although other enrollment forecasting methods are available, the cohort survival method is usually considered the best choice for school districts because of its sensitivity to incremental changes in several key variables.

Percentages are calculated from historical enrollment data certified during CALPADS Fall 1 census date, which is always the first Wednesday in October, to determine a percentage of increase or decrease in enrollment between any two grades. For example, if 100 students were certified as enrolled in first grade in 2017-18 and that number increased to 104 in second grade in 2018-19, the survival would be 104%, or a ratio of 1.04. Such ratios are calculated between each pair of grades over several recent years. These ratios are key factors contributing to the reliability of the projections given the validity of the data at the starting point. Each ratio collectively encompasses the variables that could account for an increase or decrease in the size of a grade cohort as it progresses over a period of time.

Enrollment variables include the following:

- Birth rates and trends
- Historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Incoming and outgoing interdistrict transfers
- Migration in and out of schools, including movement in and out of charter schools
- Changes in local and regional demographics
- Industry changes such as new industry moving into or existing industry moving out of an area
- Residential housing starts and the correlation of housing starts with local, state or national economics

The process of projecting kindergarten enrollment differs from other grades because little data is available on the presence of four- and five-year-old children that may enroll in the district the following year. The industry standard for projecting kindergarten enrollment is to identify the percentage of countywide live births that enroll in the district five years later. Using this approach, it appears that roughly 110.96% of countywide births become kindergartners five years later based on a weighted five-year average. If this percentage holds true for the subsequent two years, the district will have kindergarten enrollments of 323 and 338 for the 2019-20 and 2020-21 school years, respectively.

Kindergarten enrollment projections for the district are presented in the table below.

Kindergarten Enrollment, Actual and Projected

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Projected	2020-21 Projected
Calendar Year	2008	2009	2010	2011	2012	2013	2014	2015
# of Live Births	288	295	272	269	285	261	291	305
School Year	2013	2014	2015	2016	2017	2018	2019	2020
Kindergarten Class	290	265	303	286	356	342	323	338
% of Enrollment / Births	100.69%	89.83%	111.40%	106.32%	124.91%	131.03%	110.96%	110.96%

Source: Department of Finance Demographic Research Unit, January 2018

Enrollment, ADA, and UPP projections for the district by grade level are presented in the table below.

Enrollment, ADA, and Unduplicated Pupil Count, Actual and Projected

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Projected	2020-21 Projected
Kindergarten	290	265	303	286	356	342	323	338
1st Grade	260	287	250	309	274	310	327	309
2nd Grade	280	278	293	244	310	292	318	336
3rd Grade	289	298	268	302	254	315	299	326
	1,119	1,128	1,114	1,141	1,194	1,259	1,267	1,309
4th Grade	266	296	299	282	296	259	320	303
5th Grade	312	275	309	300	277	305	264	326
6th Grade	269	298	284	315	310	293	311	269
	847	869	892	897	883	857	895	898
7th Grade	212	275	295	252	299	291	281	298
8th Grade	229	273	271	301	264	294	310	299
	441	548	566	553	563	585	591	597
9th Grade	323	316	283	329	346	315	351	370
10th Grade	288	328	343	294	320	332	320	356
11th Grade	322	319	323	335	298	324	338	326
12th Grade	368	317	308	315	322	290	315	329
	1,301	1,280	1,257	1,273	1,286	1,261	1,324	1,381
Total Enrollment	3,708	3,825	3,829	3,864	3,926	3,962	4,077	4,185
Enrollment +/-	(176)	117	4	35	62	36	115	108
Unduplicated Pupil Count	1619	1722	1874	1697	1855	1697	1865	1915
UPP%	43.66%	45.02%	48.94%	43.92%	47.25%	42.83%	45.76%	45.76%
P2 Attendance	3,452.40	3,627.02	3,626.01	3,621.10	3,732.96	3,735.58	3,843.44	3,945.79
%P2 / Enrollment	93.1%	94.8%	94.7%	93.7%	95.1%	94.3%	94.3%	94.3%

Sources: Ed Data, CALPADS 1.17 report, CDE Apportionment Exhibits

- Grades 1-12 – Enrollment projection based on the cohort survival average by grade level for the previous five years.
- Kindergarten – Enrollment based on a weighted five-year average of kindergarten enrollment/county births.
- Unduplicated Pupil Percentage based on five-year average of unduplicated pupils to enrollment.
- P2 attendance based on five-year average percent of P2 attendance to enrollment.

Amador County Office of Education and Shenandoah Valley Charter

County offices receive a portion of their LCFF revenues through an operations grant, with amounts based on: 1) a minimum grant per county, 2) the number of school districts in the county, and 3) the ADA in the county attributable to school districts, charter schools, and schools operated by the county superintendent.

County offices also receive an alternative education grant based on the ADA of certain pupils served by the county office (on probation, probation referred, and expelled), and the ADA of juvenile court school pupils. Amador County Office of Education also receives LCFF funding based on the ADA of the county-office-operated Shenandoah Valley Charter School.

FCMAT reviewed the county office's enrollment, ADA, and UPP data for 2013-14 through 2017-18 and the October 2018 enrollment data. The review compared the October CALPADS student enrollment counts to the annual ADA to determine the average ADA-to-enrollment ratios.

Historical data indicates that the county office experienced a substantial decline in enrollment (94.6%) between 2013-14 and 2014-15 and significant, variable increases and decreases between 2014-15 and 2018-19. Because of the historical fluctuations and unpredictability, FCMAT's projections held enrollment, ADA, and UPP projections flat in the two projected years. The county office should closely monitor and project enrollment and ADA at each reporting period to ensure that the most recent data is included in its budget assumptions.

Shenandoah Valley Charter School was authorized by the county office in 2014 and began operations in the 2014-15 fiscal year. Historical data indicates that the school experienced small enrollment increases from 2014-15 through 2017-18 and a significant (12.8%) decline in 2018-19.

FCMAT's enrollment and UPP projections for the current year are based on the actual 2018-19 CALPADS Fall 1 enrollment and UPP data. Because enrollment had reportedly declined since Fall 1, the current year ADA projection was based on the 2018-19 period 1 (P1) actual ADA multiplied by the historical rate of P1 ADA to P2 ADA. Enrollment projections for the subsequent years reflect an enrollment decline similar to the decline experienced in 2018-19. UPP and ADA projections were reduced corresponding to the enrollment declines. The county office projects a significant decline in enrollment in the current and projection years.

Actual and projected enrollment, ADA, and UPP numbers for the county-funded programs and Shenandoah Valley Charter School are presented in the tables below.

County-Funded Nonjuvenile Court, Enrollment, ADA and UPP, Actual and Projected

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Projected	2019-20 Projected	2020-21 Projected
Enrollment	130	278	15	18	12	5	7	7	7
Enrollment +/-		148	-263	3	-6	-7	2	0	0
% increase/ decrease		113.85%	-94.60%	20.00%	-33.33%	-58.33%	40.00%	0.00%	0.00%
Unduplicated Pupil Count	-	176	14	10	9	2	2	2	2
UPP %		63.31%	93.33%	55.56%	75.00%	40.00%	28.57%	28.57%	28.57%
ADA		3.94	3.44	4.67	1.75	0.51	1.98	1.98	1.98
% ADA to Enrollment		1.42%	22.93%	25.94%	14.58%	10.20%	28.29%	28.29%	28.29%

Shenandoah Valley Charter School, Enrollment, ADA and UPP, Actual and Projected

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Projected	2019-20 Projected	2020-21 Projected
Enrollment	0	0	35	42	46	47	41	35	30
Enrollment +/-			35	7	4	1	-6	-6	-5
% Increase/ decrease				20.00%	9.52%	2.17%	-12.77%	-14.63%	-14.29%
Unduplicated Pupil Count			10	18	14	14	20	10	9
UPP %			28.57%	42.86%	30.43%	29.79%	48.78%	28.57%	30.00%
ADA			28.85	38.2	42.72	43.14	32.88	28.00	24.00
% ADA to Enrollment			82.43%	90.95%	92.87%	91.79%	80.20%	80.00%	80.00%

Enrollment and ADA projections have inherent limitations because they are based on certain criteria and assumptions instead of exact calculations. Therefore, the forecasting model should be viewed as a trend instead of a prediction of exact numbers. To maintain the most accurate and meaningful data, the district and the county office should routinely prepare and update enrollment projections and compare them to actual enrollment. This process provides the LEA with greater ability to identify a potential enrollment decline and adjust staffing levels and expenditure budgets where appropriate.

Projections

The main objective for developing an MYFP is to evaluate an agency's long-term financial sustainability. Multiyear financial projections provide the board and the agency with a fiscal planning framework that enables them to make budget decisions that strategically address current and future budget issues. The analysis is performed to determine whether the agency will generate sufficient revenues annually to meet all expenditures without incurring a structural deficit for the current and two subsequent fiscal years.

LEAs can file one of three types of budget certifications. A positive certification is assigned when the LEA will meet its financial obligations for the current and two subsequent years. A qualified certification means the LEA may not meet its financial obligations for the current or two subsequent years, and a negative certification indicates it will not be able to meet its financial obligations for the rest of the current year or the subsequent fiscal year. The district and the county office each filed a qualified certification for their 2018-19 first interim financial reports.

When a school agency expends more revenue than it receives in a fiscal year, it is deficit spending. When this happens year over year, it is known as a structural or operating deficit. Left unresolved, the structural deficit will deplete the agency's reserves and result in a negative fund balance. In a worst-case scenario, the agency will run out of cash and become fiscally insolvent, resulting in state intervention and loss of local control. An entity that continues to spend more than it receives depletes its cash resources. The district is managing its cash flow needs through internal borrowing from other funds and through the issuance of Tax Revenue Anticipation Notes (TRANS). It is extremely important that the district and the county office carefully monitor cash-flow needs at least monthly and prepare cash flow projections covering at least 18 months.

FCMAT's MYFP as of the 2018-19 first interim indicates that the district may not meet its reserve requirement in the current year or the two subsequent years. The district's financial solvency is at risk without a detailed multiyear financial recovery plan to strategically increase revenue and/or reduce expenditures and cease deficit spending. FCMAT's MYFP as of the 2018-19 first interim indicates that the county office's unrestricted general fund balance may be negative in all three years of the projection and is at great risk of insolvency unless immediate action is taken to increase revenue and/or reduce expenditures.

The following table summarizes FCMAT's projections for the district's unrestricted resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues				
LCFF/State Aid	8010 - 8099	$36,760,518.00	$38,726,856.00	$40,712,756.00
Federal Revenues	8100 - 8299	$7,478.00	$0.00	$0.00
Other State Revenues	8300 - 8599	$1,426,951.00	$731,724.00	$757,862.00
Other Local Revenues	8600 - 8799	$225,803.00	$225,803.00	$225,803.00
Revenues		$38,420,750.00	$39,684,383.00	$41,696,421.00
Expenditures				
Certificated Salaries	1000 - 1999	$14,933,285.00	$15,157,284.27	$15,384,643.53
Classified Salaries	2000 - 2999	$4,283,696.00	$4,360,802.52	$4,439,296.97
Employee Benefits	3000 - 3999	$7,110,997.00	$7,412,441.90	$7,731,839.10
Books and Supplies	4000 - 4999	$1,692,041.00	$1,686,003.50	$1,737,426.61
Services and Other Operating	5000 - 5999	$3,274,336.00	$3,381,798.91	$3,488,146.27
Capital Outlay	6000 - 6900	$0.00	$0.00	$0.00
Other Outgo	7000 - 7299	$5,558,919.00	$5,614,469.50	$5,730,053.32
Direct Support/Indirect Cost	7300 - 7399	($212,926.00)	($284,522.00)	($287,762.00)
Debt Service	7400 - 7499	$788,321.00	$681,932.00	$726,099.00
Expenditures		$37,428,669.00	$38,010,210.60	$38,949,742.80
Excess (Deficiency) of Revenues Over Expenditures		$992,081.00	$1,674,172.40	$2,746,678.20
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	($1,370,878.00)	($1,569,469.80)	($1,630,366.91)
Other Financing Sources/Uses		($1,370,878.00)	($1,569,469.80)	($1,630,366.91)
Net Increase (Decrease) in Fund Balance		($378,797.00)	$104,702.60	$1,116,311.29
Fund Balance				
Beginning Fund Balance	9791	$206,645.75	($172,151.25)	($67,448.65)
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$206,645.75	($172,151.25)	($67,448.65)
Ending Fund Balance	9799	($172,151.25)	($67,448.65)	$1,048,862.64

The following table summarizes FCMAT's projections for the district's restricted resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues				
LCFF/State Aid	8010 - 8099	$0.00	$0.00	$0.00
Federal Revenues	8100 - 8299	$1,155,021.00	$861,690.00	$861,690.00
Other State Revenues	8300 - 8599	$1,837,347.00	$1,406,778.37	$1,470,903.45
Other Local Revenues	8600 - 8799	$49,728.00	$0.00	$0.00
Revenues		$3,042,096.00	$2,268,468.37	$2,332,593.45
Expenditures				
Certificated Salaries	1000 - 1999	$581,347.00	$539,927.22	$548,026.13
Classified Salaries	2000 - 2999	$704,382.00	$716,239.36	$729,131.67
Employee Benefits	3000 - 3999	$1,606,369.00	$1,680,129.89	$1,768,417.95
Books and Supplies	4000 - 4999	$913,054.61	$320,636.49	$327,289.06
Services and Other Operating	5000 - 5999	$1,188,490.10	$449,540.20	$455,390.55
Capital Outlay	6000 - 6900	$160,191.00	$0.00	$0.00
Other Outgo	7000 - 7299	$0.00	$0.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	$87,351.00	$131,465.01	$134,705.00
Debt Service	7400 - 7499	$0.00	$0.00	$0.00
Expenditures		$5,241,184.71	$3,837,938.17	$3,962,960.36
Excess (Deficiency) of Revenues Over Expenditures		($2,199,088.71)	($1,569,469.80)	($1,630,366.91)
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	$1,370,878.00	$1,569,469.80	$1,630,366.91
Other Financing Sources/Uses		$1,370,878.00	$1,569,469.80	$1,630,366.91
Net Increase (Decrease) in Fund Balance		($828,210.71)	$0.00	$0.00
Fund Balance				
Beginning Fund Balance	9791	$828,210.71	$0.00	$0.00
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$828,210.71	$0.00	$0.00
Ending Fund Balance	9799	$0.00	$0.00	$0.00

The following table summarizes FCMAT's projections for the district's combined resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues				
LCFF/State Aid	8010 - 8099	$36,760,518.00	$38,726,856.00	$40,712,756.00
Federal Revenues	8100 - 8299	$1,162,499.00	$861,690.00	$861,690.00
Other State Revenues	8300 - 8599	$3,264,298.00	$2,138,502.37	$2,228,765.45
Other Local Revenues	8600 - 8799	$275,531.00	$225,803.00	$225,803.00
Revenues		$41,462,846.00	$41,952,851.37	$44,029,014.45
Expenditures				
Certificated Salaries	1000 - 1999	$15,514,632.00	$15,697,211.49	$15,932,669.66
Classified Salaries	2000 - 2999	$4,988,078.00	$5,077,041.88	$5,168,428.64
Employee Benefits	3000 - 3999	$8,717,366.00	$9,092,571.79	$9,500,257.05
Books and Supplies	4000 - 4999	$2,605,095.61	$2,006,639.99	$2,064,715.67
Services and Other Operating	5000 - 5999	$4,462,826.10	$3,831,339.11	$3,943,536.82
Capital Outlay	6000 - 6900	$160,191.00	$0.00	$0.00
Other Outgo	7000 - 7299	$5,558,919.00	$5,614,469.50	$5,730,053.32
Direct Support/Indirect Cost	7300 - 7399	($125,575.00)	($153,056.99)	($153,057.00)
Debt Service	7400 - 7499	$788,321.00	$681,932.00	$726,099.00
Expenditures		$42,669,853.71	$41,848,148.77	$42,912,703.16
Excess (Deficiency) of Revenues Over Expenditures		($1,207,007.71)	$104,702.60	$1,116,311.29
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	$0.00	$0.00	$0.00
Other Financing Sources/Uses		$0.00	$0.00	$0.00
Net Increase (Decrease) in Fund Balance		($1,207,007.71)	$104,702.60	$1,116,311.29
Fund Balance				
Beginning Fund Balance	9791	$1,034,856.46	($172,151.25)	($67,448.65)
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$1,034,856.46	($172,151.25)	($67,448.65)
Ending Fund Balance	9799	($172,151.25)	($67,448.65)	$1,048,862.64

The following table summarizes FCMAT's projections for the county office's unrestricted resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues				
LCFF/State Aid	8010 - 8099	$2,261,887.00	$2,227,096.00	$2,198,703.00
Federal Revenues	8100 - 8299	$3,439.00	$0.00	$0.00
Other State Revenues	8300 - 8599	$84,586.00	$42,605.00	$41,976.00
Other Local Revenues	8600 - 8799	$791,913.00	$791,913.00	$791,913.00
Revenues		$3,141,825.00	$3,061,614.00	$3,032,592.00
Expenditures				
Certificated Salaries	1000 - 1999	$642,561.00	$652,199.42	$661,982.40
Classified Salaries	2000 - 2999	$741,999.00	$753,128.98	$764,425.92
Employee Benefits	3000 - 3999	$591,274.00	$632,661.19	$665,742.35
Books and Supplies	4000 - 4999	$119,089.00	$122,876.03	$126,623.75
Services and Other Operating	5000 - 5999	$669,904.00	$691,206.94	$712,288.74
Capital Outlay	6000 - 6900	$0.00	$0.00	$0.00
Other Outgo	7000 - 7299	$0.00	$0.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	($76,858.00)	($110,357.00)	($118,581.00)
Debt Service	7400 - 7499	$77,462.00	$77,462.00	$77,462.00
Expenditures		$2,765,431.00	$2,819,177.56	$2,889,944.16
Excess (Deficiency) of Revenues Over Expenditures		$376,394.00	$242,436.44	$142,647.84
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	($485,000.39)	($553,872.44)	($593,401.60)
Other Financing Sources/Uses		($485,000.39)	($553,872.44)	($593,401.60)
Net Increase (Decrease) in Fund Balance		($108,606.39)	($311,436.00)	($450,753.76)
Fund Balance				
Beginning Fund Balance	9791	$79,331.00	($29,275.39)	($340,711.39)
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$79,331.00	($29,275.39)	($340,711.39)
Ending Fund Balance	9799	($29,275.39)	($340,711.39)	($791,465.15)

The following table summarizes FCMAT's projections for the county office's restricted resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Revenues				
LCFF/State Aid	8010 - 8099	$340,063.00	$388,609.00	$388,609.00
Federal Revenues	8100 - 8299	$985,986.00	$985,986.00	$985,986.00
Other State Revenues	8300 - 8599	$3,156,003.00	$3,196,412.50	$3,293,669.22
Other Local Revenues	8600 - 8799	$4,931,886.00	$4,987,436.50	$5,103,020.32
Revenues		$9,413,938.00	$9,558,444.00	$9,771,284.54
Expenditures				
Certificated Salaries	1000 - 1999	$4,430,356.00	$4,476,722.11	$4,539,958.72
Classified Salaries	2000 - 2999	$1,630,913.00	$1,655,376.69	$1,680,207.34
Employee Benefits	3000 - 3999	$2,329,805.00	$2,437,266.18	$2,555,888.56
Books and Supplies	4000 - 4999	$308,184.08	$86,011.27	$82,869.77
Services and Other Operating	5000 - 5999	$1,588,316.00	$1,383,367.29	$1,418,951.75
Capital Outlay	6000 - 6900	$13,930.00	$0.00	$0.00
Other Outgo	7000 - 7299	$0.00	$0.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	$46,358.00	$78,604.00	$86,810.00
Debt Service	7400 - 7499	$0.00	$0.00	$0.00
Expenditures		$10,347,862.08	$10,117,347.54	$10,364,686.14
Excess (Deficiency) of Revenues Over Expenditures		($933,924.08)	($558,903.54)	($593,401.60)
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	$485,000.39	$553,872.44	$593,401.60
Other Financing Sources/Uses		$485,000.39	$553,872.44	$593,401.60
Net Increase (Decrease) in Fund Balance		($448,923.69)	($5,031.10)	$0.00
Fund Balance				
Beginning Fund Balance	9791	$453,954.79	$5,031.10	$0.00
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$453,954.79	$5,031.10	$0.00
Ending Fund Balance	9799	$5,031.10	$0.00	$0.00

The following table summarizes FCMAT's projections for the county office's unrestricted and restricted resources:

Name	Object Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020- 21
Revenues				
LCFF/State Aid	8010 - 8099	$2,601,950.00	$2,615,705.00	$2,587,312.00
Federal Revenues	8100 - 8299	$989,425.00	$985,986.00	$985,986.00
Other State Revenues	8300 - 8599	$3,240,589.00	$3,239,017.50	$3,335,645.22
Other Local Revenues	8600 - 8799	$5,723,799.00	$5,779,349.50	$5,894,933.32
Revenues		$12,555,763.00	$12,620,058.00	$12,803,876.54
Expenditures				
Certificated Salaries	1000 - 1999	$5,072,917.00	$5,128,921.53	$5,201,941.12
Classified Salaries	2000 - 2999	$2,372,912.00	$2,408,505.67	$2,444,633.26
Employee Benefits	3000 - 3999	$2,921,079.00	$3,069,927.37	$3,221,630.91
Books and Supplies	4000 - 4999	$427,273.08	$208,887.30	$209,493.52
Services and Other Operating	5000 - 5999	$2,258,220.00	$2,074,574.23	$2,131,240.49
Capital Outlay	6000 - 6900	$13,930.00	$0.00	$0.00
Other Outgo	7000 - 7299	$0.00	$0.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	($30,500.00)	($31,753.00)	($31,771.00)
Debt Service	7400 - 7499	$77,462.00	$77,462.00	$77,462.00
Expenditures		$13,113,293.08	$12,936,525.10	$13,254,630.30
Excess (Deficiency) of Revenues Over Expenditures		($557,530.08)	($316,467.10)	($450,753.76)
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	$0.00	$0.00	$0.00
Other Financing Sources/Uses		$0.00	$0.00	$0.00
Net Increase (Decrease) in Fund Balance		($557,530.08)	($316,467.10)	($450,753.76)
Fund Balance				
Beginning Fund Balance	9791	$533,285.79	($24,244.29)	($340,711.39)
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$533,285.79	($24,244.29)	($340,711.39)
Ending Fund Balance	9799	($24,244.29)	($340,711.39)	($791,465.15)

The SPI serves as the oversight agency for county offices and any school district for which the county board of education serves as the governing board of the school district. If the district or county office cannot meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the SPI is required to notify the governing board and the district or county office superintendent. The SPI must follow Education Code 1630 when assisting the school district or county office in fiscal distress. If the district or county office does not maintain its required reserve for economic uncertainties, the MYFP is the primary tool used in helping the district, the county office, and the SPI develop a plan to regain fiscal solvency and restore the required reserve.

If it is determined that a school district has insufficient funds to meet its current obligations, an emergency apportionment loan can be requested from the state. Emergency apportionment loans are provided only through a legislative appropriation that involves various lengthy and complicated steps and preparation by the district and county office. Until the loan is fully repaid to the state, the SPI may assume all the legal rights, duties, and powers of the governing board and may appoint an administrator or trustee to act on behalf of the superintendent. The most effective way for the district to avoid such intervention is to implement a financial plan that identifies revenue enhancements and/or expenditure reductions to eliminate deficit spending.

Adjustment Analysis

The following table show the differences between the district's 2018-19 first interim report and FCMAT's analysis. Differences are explained under projection assumptions.

	Object Code	District First Interim 2018-19	FCMAT Analysis 2018-19	Difference
Revenues				
LCFF/State Aid	8010 - 8099	$37,260,879.00	$36,760,518.00	($500,361.00)
Federal Revenues	8100 - 8299	$1,162,499.00	$1,162,499.00	$0.00
Other State Revenues	8300 - 8599	$2,823,643.00	$3,264,298.00	$440,655.00
Other Local Revenues	8600 - 8799	$275,531.00	$275,531.00	$0.00
Revenues		$41,522,552.00	$41,462,846.00	($59,706.00)
Expenditures				
Certificated Salaries	1000 - 1999	$15,514,632.00	$15,514,632.00	$0.00
Classified Salaries	2000 - 2999	$4,988,078.00	$4,988,078.00	$0.00
Employee Benefits	3000 - 3999	$8,717,366.00	$8,717,366.00	$0.00
Books and Supplies	4000 - 4999	$2,576,878.00	$2,605,095.61	$28,217.61
Services and Other Operating	5000 - 5999	$4,013,377.00	$4,462,826.10	$449,449.10
Capital Outlay	6000 - 6900	$160,191.00	$160,191.00	$0.00
Other Outgo	7000 - 7299	$5,558,919.00	$5,558,919.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	($125,575.00)	($125,575.00)	$0.00
Debt Service	7400 - 7499	$666,773.00	$788,321.00	$121,548.00
Expenditures		$42,070,639.00	$42,669,853.71	$599,214.71
Excess (Deficiency) of Revenues Over Expenditures		($548,087.00)	($1,207,007.71)	($658,920.71)
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	$0.00	$0.00	$0.00
Other Financing Sources/Uses		$0.00	$0.00	$0.00
Net Increase (Decrease) in Fund Balance		($548,087.00)	($1,207,007.71)	($658,920.71)
Fund Balance				
Beginning Fund Balance	9791	$1,034,856.46	$1,034,856.46	$1,034,856.46
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$1,034,856.46	$1,034,856.46	$1,034,856.46
Ending Fund Balance	9799	$486,769.46	($172,151.25)	($658,920.71)

The following table shows the differences between the county office's 2018-19 first interim report and FCMAT's analysis. Differences are explained under projection assumptions.

Name	Object Code	COE First Interim 2018-19	FCMAT Projection 2018-19	Difference
Revenues				
LCFF/State Aid	8010 - 8099	$2,750,034.00	$2,601,950.00	($148,084.00)
Federal Revenues	8100 - 8299	$964,301.00	$989,425.00	$25,124.00
Other State Revenues	8300 - 8599	$3,203,005.00	$3,240,589.00	$37,584.00
Other Local Revenues	8600 - 8799	$5,723,799.00	$5,723,799.00	$0.00
Revenues		$12,641,139.00	$12,555,763.00	($85,376.00)
Expenditures				
Certificated Salaries	1000 - 1999	$5,072,917.00	$5,072,917.00	$0.00
Classified Salaries	2000 - 2999	$2,372,912.00	$2,372,912.00	$0.00
Employee Benefits	3000 - 3999	$2,921,079.00	$2,921,079.00	$0.00
Books and Supplies	4000 - 4999	$427,276.00	$427,273.08	($2.92)
Services and Other Operating	5000 - 5999	$2,208,771.00	$2,258,220.00	$49,449.00
Capital Outlay	6000 - 6900	$13,930.00	$13,930.00	$0.00
Other Outgo	7000 - 7299	$0.00	$0.00	$0.00
Direct Support/Indirect Cost	7300 - 7399	($30,500.00)	($30,500.00)	$0.00
Debt Service	7400 - 7499	$77,462.00	$77,462.00	$0.00
Expenditures		$13,063,847.00	$13,113,293.08	$49,446.08
Excess (Deficiency) of Revenues Over Expenditures		($422,708.00)	($557,530.08)	($134,822.08)
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	$0.00	$0.00	$0.00
Other Financing Sources/Uses		$0.00	$0.00	$0.00
Net Increase (Decrease) in Fund Balance		($422,708.00)	($557,530.08)	($134,822.08)
Fund Balance				
Beginning Fund Balance	9791	$533,285.79	$533,285.79	$0.00
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance	9797	$533,285.79	$533,285.79	$0.00
Ending Fund Balance	9799	$110,577.79	($24,244.29)	($134,822.08)

Projection Assumptions

FCMAT prepared its multiyear financial projection for both the district and the county office to include the impact of the governor's 2019-20 state budget proposal, as published in January 2019. These assumptions were applied to the 2018-19 first interim budget. The team reviewed the district's records, interviewed staff members and examined a variety of financial documents to gather the information needed for the multiyear financial projection. Assumptions include conservative economic factors and estimates described by major object code. The district and the county office should monitor and project revenue and expenditures using the most current information and assumptions available. The agencies should review all budgets monthly and make adjustments to minimize variances between budgeted and actual expenditures at year-end.

Revenue Assumptions (Object 8XXX):

Projected revenue was based on validation of funding from the CDE, School Services of California (SSC), grant letters and analysis of district estimates for any sources that could not be independently verified. FCMAT reviewed and projected federal, other state and local revenues using the funding levels indicated in the first interim budget reports. Adjustments were made for any one-time funding or carryover from previous years.

Local Control Funding Formula (LCFF) Sources (8010-8099)

The LCFF is the funding model for school district and charter school operational funding. LCFF was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and Charter School Block Grant state apportionment distribution methodologies. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English language learners, and foster youth)
- A concentration grant that provides an additional 50% of the base grant multiplied by the district's percentage of disadvantaged pupils that exceed 55% of enrollment.

County offices receive LCFF funding through a two-part formula that includes funding for operational activities and instructional programs. The operations grant consists of amounts based on (1) a minimum grant per county, (2) the number of school districts in the county, and (3) the ADA in the county attributable to school districts, charter schools, and schools operated by the county superintendent.

The county office's instructional programs are funded through an alternative education grant as follows:

- A uniform base grant per ADA for certain pupils served by county offices (on probation, probation referred, and expelled pursuant to EC Section 48915 (a) or (c)).
- A supplemental grant equal to 35% of the base grant multiplied by ADA and the county office's unduplicated percentage of disadvantaged pupils (the unduplicated count of low-income students, English language learners, and foster youth).
- A concentration grant equal to 35% of the base grant multiplied by ADA and the unduplicated percentage of targeted students exceeding 50% of enrollment.

- A uniform base grant per ADA for juvenile court school pupils. All juvenile court school pupils are deemed to be eligible for the supplemental and concentration grants provided for unduplicated pupils. The supplemental grant is equal to 35% of the base grant multiplied by ADA, and the concentration grant is equal to 35% of the base grant multiplied by ADA and 50% of the juvenile court school enrollment.
- Other pupils served by county offices are funded based on the LCFF funding of their home school district.

The introduction of the LCFF funding model eliminated many former state categorical programs for all LEAs, including school districts, charter schools, and county offices of education, and the related funding was redirected to support the implementation of the LCFF. Full implementation of the LCFF for school districts and charter schools was expected to take eight years, with LEAs receiving a transitional level of funding during implementation. However, full implementation occurred two years earlier than anticipated, in 2018-19, with all LEAs receiving their target allocations of LCFF funding. County offices achieved full implementation in 2014-15.

While the LCFF funding has reached its target sooner than anticipated, no additional influx of funds are expected beyond the target; therefore, FCMAT recommends projecting LCFF revenue conservatively on the multiyear financial projections. Additional annual LCFF funding increases are now limited primarily to increases associated with the cost-of-living adjustment (COLA), calculated with other variable factors, such as changes in attendance and in student unduplicated counts. While the economy has continued to improve over the last six years, the California Department of Finance continues to remind educational entities that shifts in both the state and national economic landscapes may adversely affect school funding.

Districts are advised to use the FCMAT LCFF Calculator for estimating funding from the LCFF. For most districts, the LCFF entitlement is funded through a combination of local property taxes and state aid. An LEA's property tax will first be applied toward the total LCFF entitlement and the balance is funded through state aid. FCMAT prepared independent LCFF calculations and used them in the development of the multiyear financial projections.

For the district, FCMAT's projection of ADA and the unduplicated pupil count resulted in a reduction of $500,361 in LCFF in 2018-19 with adjustments made accordingly in the subsequent years. This reduction is caused primarily by the application of a more conservative percentage of ADA relative to enrollment. The district projects an attendance rate of 96.9% compared to FCMAT's estimate of 94.3%, which is more closely aligned with historical trends.

For the county office, FCMAT's projection of ADA and the unduplicated pupil count resulted in a reduction of $148,084 in LCFF in 2018-19, with adjustments made accordingly in the subsequent years, due primarily to the projected declining enrollment in the charter school.

The district and the county office should use the most recently updated LCFF calculator available and current enrollment, ADA, and UPP projections to update their budgets and MYFPs.

Federal Revenue (8100-8299)

With the exception of any one-time funding, FCMAT assumed unchanged funding levels for federal programs in 2018-19 with no COLA in 2019-20 and 2020-21.

The district added revenues to its first interim budget for two new programs (Title IV and Carl Perkins Career Technical Education grant) that were not known during the development of the adopted budget. These revenues, totaling $75,146, have been included in FCMAT's projections for the current and subsequent years. Carryover revenue for Title I and Title II included in the 2018-19 budget have been eliminated from FCMAT's projections in subsequent years.

FCMAT increased county office federal revenues by $25,124 in the budget year for a new Title I allocation. The revenues are assumed to be ongoing in subsequent years. Medi-Cal Administrative Activities (MAA) revenues were eliminated in subsequent years due to the uncertainty of continued funding. Revenue budgets should be updated throughout the year as award amounts become known, ensuring budgets match information provided by the CDE and award letters. Revenues deferred from the prior year should be included in current year budgets upon completion of the unaudited actuals and eliminated from the subsequent two years of the MYFP.

Other State Revenue (8300-8599)

Other state grant award amounts for 2018-19 were confirmed and are carried forward to 2019-20 and 2020-21, increased by COLA and reduced by any one-time amounts received in 2018-19.

Two new grants, the Classified School Employees Professional Development Block Grant and the Low Performing Students Block Grant, have been added to the projections for the current year, totaling $472,188 for the district and $26,276 for the county office. These grants were not included in the associated first interim budgets, because the funding for these programs had not yet been released by the state. These grants have been eliminated in subsequent years because the funds are considered one-time.

Mandate Funding

One-time revenue of $184 per ADA has been allocated to all districts and county offices of education in 2018-19. This revenue source has been eliminated in subsequent years, because these funds are considered one-time and it is unknown whether this revenue will be appropriated in future years.

FCMAT's projections for the ongoing mandated block grant remain unchanged from the first interim budgets of both the district and the county office. Funding is calculated based on per ADA amounts from the SSC Dartboard. Receipt of mandate block grant funds is contingent on the district filing a funding application each year with the CDE.

Lottery

FCMAT projected unrestricted lottery revenues for 2018-19 based on actual prior year annual ADA, multiplied by $151 for unrestricted and $53 for restricted lottery instructional materials revenues, per the SSC Dartboard. Revenues in the subsequent years were based on projected annual ADA. Lottery funding is initially allocated using the prior year's annual ADA and adjusted in the subsequent fiscal year based on current year annual ADA.

This resulted in an increase of $38,249 in unrestricted lottery revenues for the district in 2018-19, and a decrease of $69,782 in restricted lottery revenues. Projections for the subsequent years remain constant with these assumptions.

FCMAT projected an increase of $6,277 in unrestricted lottery revenues for the county office in 2018-19, and an increase of $5,031 in restricted lottery revenues. Projections for the subsequent years remain constant with these assumptions.

Other Local Revenue (8600-8799)

Other Income

The district and the county office receive local revenues from interest earnings, donations, and other miscellaneous revenues. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, take into account historical trend data and identify revenue streams that are one-time. These budget items should also be monitored and updated throughout the year based on amounts received to date. FCMAT reviewed the budgeted amounts of the district and county office for reasonableness using the prior two years' actual revenues and current year-to-date actual revenues. Amounts attributed to interest and other miscellaneous revenues were considered to be ongoing in the subsequent years of the projection. Amounts attributed to donations were considered to be one-time and were eliminated in the subsequent years of the projection.

Tuition

The county office projection includes tuition payments transferred from the district to the county office for special education program and transportation services. Transfers for program costs have been increased in subsequent years because of rising program costs. Transfers from the district to the county office for special education transportation services are unchanged and remain at the same level in subsequent years.

Contributions (8980-8990)

When revenues in restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. Generally, restricted programs should be self-supporting, with the exception of special education and routine restricted maintenance, neither of which are typically fully funded by either state or federal sources.

The district projects a contribution of $1,273,878 to resource 8150, the routine restricted maintenance account (RRMA) in the budget year. This contribution is projected to increase to $1,394,678 in 2019-20 and $1,442,856 in 2020-21 because of increasing costs. The required contribution amounts are $1,166,486 in 2018-19, $1,255,444 in 2019-20, and $1,287,381 in 2020-21. The district contribution to the RRMA is greater than the required amount in all three years of the projection. The district should consider reducing RRMA expenditures and contributing only the required amount.

The district also projects a contribution of $97,000 to resource 9010, other restricted local, to fund athletic transportation in the budget year. This contribution is projected to continue in the subsequent years. New contributions to resource 3010, Title I, are projected in the subsequent years because of increasing costs and the elimination of unearned (carryover) revenues.

The table below shows projected contributions to district resources.

Name	Resource Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Unrestricted Resources				
Unrestricted	0000	($1,370,878.00)	($1,569,469.80)	($1,630,366.91)
Total Unrestricted		($1,370,878.00)	($1,569,469.80)	($1,630,366.91)
Restricted Resources				
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	3010	$0.00	$77,792.15	$90,511.21
Ongoing & Major Maintenance Account (RMA: Education Code Section 17070.75)	8150	$1,273,878.00	$1,394,677.65	$1,442,855.70
Other Restricted Local	9010	$97,000.00	$97,000.00	$97,000.00
Total Restricted		$1,370,878.00	$1,569,469.80	$1,630,366.91
Balance		$0.00	$0.00	$0.00

The county office projects a contribution of $155,000 (5.6%) to resource 8150, routine restricted maintenance in the budget year. FCMAT projects the contribution to the RRMA to increase to $160,238 (5.7%) in 2019-20 and $172,303 (6%) in 2020-21 as a result of projected increases in expenditures. The required contributions are $39,300 in 2018-19, $101,192 in 2019-20, and $104,500 in $2020-21. The county office should consider reducing RRMA expenditures and contribution to the minimum amount required.

The county office projects a contribution of $330,000 to resource 6500, special education, in the budget year. FCMAT projects the contribution to special education to continue in the subsequent years in the same amount. Additionally, FCMAT's projection includes new contributions to special education resources 3310, 3315, 3327, 3345, and 3385 in the subsequent years as a result of increasing costs. FCMAT projects a new contribution of $287 to resource 9010, other restricted local, in the subsequent years as a result of increasing costs.

The table below shows contributions to county office restricted programs.

Name	Resource Code	Base Year 2018-19	Year 1 2019-20	Year 2 2020-21
Unrestricted Resources				
Unrestricted	0000	($485,000.39)	($553,872.44)	($593,401.60)
Total Unrestricted		($485,000.39)	($553,872.44)	($593,401.60)
Restricted Resources				
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly P	3310	$0.00	$60,501.36	$86,191.18
Special Ed: IDEA Preschool Grants, Part B, Sec 619	3315	$0.00	$1,033.11	$1,760.00
Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	3327	$0.00	$1,173.00	$1,959.75
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	3345	$0.00	$89.58	$158.44
Special Ed: IDEA Early Intervention Grants	3385	$0.00	$745.81	$971.80
Special Education	6500	$330,000.00	$330,000.00	$330,000.00
Special Ed: Mental Health Services	6512	$0.00	$0.00	($229.75)
Ongoing & Major Maintenance Account (RMA: Education Code Section 17070.75)	8150	$155,000.00	$160,237.69	$172,303.27
Other Restricted Local	9010	$0.00	$91.89	$286.91
Total Restricted		$485,000.00	$553,872.44	$593,401.60
Balance		($0.39)	$0.00	$0.00

When restricted resource expenditure budgets exceeded projected revenue in the second and third year of the projection, FCMAT first reduced expenditures in the 4XXX object code series. If a shortfall remained, FCMAT reduced expenditures in the 5XXX object code range; no reductions were made in salary and benefit budgets. A contribution from the unrestricted resource was made to balance any restricted resource for which expenditures still exceeded revenue after these adjustments.

Expenditure Assumptions (Object 1XXX-7999):

FCMAT's MYFP assumes that the district's current ongoing costs as of 2018-19 first interim will continue unless adjusted as noted below.

Salary and Benefits (1XXX-3XXX)

Neither the district nor the county office utilize an automated position control system integrated with the automated financial system to manage salary and benefit data. The district and the county office maintain some human resources data in the position control system; however, it is not kept up to date for payroll and budgeting purposes. Instead, a detailed spreadsheet is used to track these commitments for the budget year. The spreadsheet includes only regular salaries and benefits for certificated, classified and administrative employees. Salary and benefit costs for overtime, substitutes, and stipend positions are budgeted based on prior year expenses.

FCMAT evaluated the reasonableness of the district and county office 2018-19 salary and benefit information budgeted at first interim using current year-to-date actual expenditures and projected costs for the remainder of the year. Annual costs were estimated using actual expenditures as of November 30, 2018 plus November 2018 payroll multiplied by the seven remaining months to be paid in the current fiscal year. This amount was compared to the district's 2018-19 budget and to the two prior years actuals. Variances were determined to be immaterial, and the base year budget was not changed.

FCMAT's MYFPs for both the district and the county office include ongoing step adjustments for staff members as they progress through the approved salary schedules. Staff reported that the board had approved the reduction or elimination of various district and county office classified positions for the current year; however those layoffs had not yet taken place as of the time of fieldwork and the expenditure reductions were not included in our projection.

The district's MYFP included reductions in certificated and classified staffing in 2019-20, and the county office's MYFP included reductions in certificated staffing for 2019-20. FCMAT did not include these salary expenditure reductions because the board had not yet taken action on the reductions.

Certificated Salaries (1XXX)

Certificated salaries were unchanged in the budget year and increased in the subsequent years of the MYFP for the estimated cost of steps (1.5%).

Classified Salaries (2XXX)

Classified salaries were unchanged in the budget year and increased in the subsequent years of the MYFP for the estimated cost of steps (1.8%).

Employee Benefits (3XXX)

Employee benefits were unchanged in the budget year and increased in the subsequent years in proportion to increases in certificated and classified salaries. Increased employer contributions for the California State Teachers' Retirement System and (STRS) and the California Public Employees' Retirement System (PERS) were included in the subsequent years. No increase in health and welfare benefits were projected for the subsequent years because the district contribution is capped in the bargaining agreements.

Books and Supplies (4XXX)

The books and supplies budgets were reviewed for reasonableness using the prior two years' actual expenditures, current year-to-date expenditures and encumbrances. After adjustments were made as described below, expenditures in the subsequent years were increased based on the consumer price index (CPI) inflation factor.

District unrestricted expenditures were increased in the budget year to align with actual expenditures to date for textbooks. Restricted expenditures were decreased in the budget year in resource 6300 (restricted lottery) to align with a decrease in projected revenue.

The county office's unrestricted expenditures were unchanged in the budget year and were reduced in the subsequent years to eliminate expenditures related to expiring grants (resources 6230 and 7338) and carryover revenues (resources 5640, 6300, 6510, and 9010).

Services and Other Operating Expenditures (5XXX)

The services and other operating expenditures budgets were reviewed for reasonableness using the prior two years' actual expenditures, current year-to-date expenditures and encumbrances. After adjustments were made as described below, expenditures in the subsequent years were increased based on the CPI inflation factor.

District restricted expenditures were increased in the budget year to align with new grant program revenues. Expenditures were reduced in the subsequent years because of the elimination of expenditures related to expiring grants (resources 6230, 7338, 7810, and 9010) and expenditures of carryover revenues (resources 3010, 4035, and 7010).

County office unrestricted expenditures were unchanged in the budget year. Restricted expenditures were increased $49,449 in the budget year to align with new grant revenues. Expenditures were reduced in the subsequent years because of the elimination of expenditures related to expiring grants (resources 6230 and 7338) and expenditures of carryover revenues (resources 5640, 6300, 6510, and 9010).

Capital Outlay (6XXX)

The capital outlay budgets were reviewed for reasonableness using the prior two years' actual expenditures, current year-to-date expenditures and encumbrances. No changes were made in the budget year and expenditures related to expiring programs (resource 6230) were eliminated in the subsequent years on both the district and county office MYFP.

Other Outgo (7XXX)

Tuition

The district transfers funds to the county office to pay special education program and transportation services the county office provides. The district and the county office have no formal written agreement for the provision and payment of special education services to district students. However, the district has historically transferred an amount equal to the amount spent by the county office to provide special education services to the district. Projected district expenditures were unchanged in the budget year and were projected to increase in the subsequent years because of rising program costs. (Subsequent to fieldwork, an agreement was developed and approved by both the county office and the district.)

Indirect Costs

Indirect costs were based on the CDE's approved rate for the district and the county office. These costs were adjusted in the budget year as described below. The maximum allowable rate for each restricted program was applied in the subsequent years to ensure proper program cost accounting, even when this resulted in a contribution back to the resource from the unrestricted resource. The district and the county office included indirect costs charges to most, but not all eligible programs in their first interim budgets.

For the district, indirect costs were increased in the budget year to add indirect cost charges to new grant programs (resources 7311 and 7510). For the county office, indirect costs were increased in the budget year to add indirect cost charges to new grant programs (resources 3010, 7311, and 7510).

Debt Service

Debt service in the current and subsequent years was based on the district's and the county office's long-term debt schedules for capital leases, tax exempt lease financing, and clean renewable energy bonds. District debt service payments were increased in the budget year in alignment with the debt service schedule.

Interfund Transfers (8919 & 7619)

Other Authorized Interfund Transfers In (8919)

Neither the district nor the county office first interim report includes transfers into the general fund from other funds.

Other Authorized Interfund Transfers Out (7619)

Neither the district nor the county office first interim report includes transfers out of the general fund into other funds.

Other Funds

FCMAT completed a basic review of other funds to consider their financial impact on the district and the county office unrestricted general fund.

The district recorded a $478,308 surplus of revenues over expenditures in its adult education fund in 2016-17. In 2017-18, the district recorded a deficit of $263,179. The district's 2018-19 first interim budget projects $284,425 in deficit spending, and the fund balance is projected to decline from $285,834 to $1,409 in 2018-19. The district must ensure that it closely monitors revenues and expenditures and reverses the deficit spending trend in the adult education fund to avoid the need for a transfer from the general fund.

The district's cafeteria fund is self-supporting and needs no support from the general fund. The district recorded a surplus of $29,271 in 2016-17, a surplus of $163,267 in 2017-18, and projects a deficit of $383,311 in 2018-19. The district is deliberately spending down the fund balance in 2018-19 on one-time expenditures.

The district made a transfer of $300,000 from its deferred maintenance fund to the general fund in 2017-18, depleting the full balance of the fund.

The district's capital facilities fund has a 2018-19 beginning fund balance of $1,507,707. The district anticipates the need to make a temporary loan to the general fund from the capital facilities fund for cash-flow purposes.

The district's special reserve fund for capital outlay projects has a 2018-19 beginning fund balance of $533,422. The first interim budget reflects no revenues or expenditures in this fund.

The county office operates a child development fund to account for the revenues and expenditures of its preschool programs. The county office recorded a surplus of $65,492 in 2016-17 and $29,557 in 2017-18, but is projecting a deficit of $139,196 in 2018-19. The fund balance is projected to decline from $293,405 to $154,209 in 2018-19. The county office must ensure that it closely monitors revenues and expenditures and avoids deficit spending in the child development fund to avoid the need for a transfer from the general fund.

Recommendations

The district and the county office should:

1. Develop separate fiscal recovery plans to eliminate the structural deficit in the general fund.
2. Adopt a budget and MYFP that eliminate deficit spending, and restore the reserve requirements in the budget and projection years.
3. Maintain a reserve level sufficient to ensure that cash is available to meet payroll and other expenditure obligations.
4. Monitor current year and subsequent year cash flow at least monthly.
5. Ensure that MYFPs are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available.
6. Update revenue budgets throughout the year to ensure they match information provided by the CDE and award letters.
7. Continue to recognize deferred revenue in the current year budget upon completion of the prior year unaudited actuals, and ensure that deferred revenue is not included in the subsequent two years of the multiyear financial projection.
8. Continue to be conservative when budgeting amounts for local revenue and update the budget throughout the year as necessary to account for year-to-date receipts.
9. Ensure the position control system includes items such as substitutes, overtime, extra duty pay, stipends, and vacation payouts.
10. Review all budgets monthly and make adjustments to help prevent variances between budgeted and actual expenses at year-end.
11. Monitor and project revenues and expenditures for all other funds throughout the year and ensure the assumptions used are the most current available. Ensure the financial impact on the unrestricted general fund in the current and subsequent two years is considered in all multiyear financial projections.

12. Compare enrollment numbers and unduplicated student counts reported by the CDE at each reporting period to ensure that they agree with the district's CALPADS totals.

13. Routinely prepare and update enrollment and ADA projections and compare them to actual enrollment and ensure that the most recent data is included in budget assumptions.

Revenue Enhancements and Expenditure Reductions

Revenue Enhancements

Enrollment, ADA, and UPP

Much of a school agency's revenues derive from enrollment, ADA, and unduplicated pupil count. By increasing enrollment, attendance, and percent of unduplicated pupils properly identified, the agency may increase revenues.

District and county office Board Policy and Administrative Regulation 5117, Interdistrict Attendance, authorizes the superintendent or designee to approve parent/guardian request for interdistrict transfer out of the district for specified reasons for a term not to exceed five school years. The district should develop strategies to limit outgoing interdistrict transfers and consider requiring interdistrict permits to be renewed annually. The district should ensure that all applications for interdistrict transfers out are reviewed and approved only for authorized reasons.

The average daily attendance rate for California unified school districts is 94.9% of enrollment; Amador Unified's five-year average is 94.3%. Various methods can be used to increase student attendance, including incentives, parent education, and a system to notify parents immediately when students are absent. Timely parent notification is critical in increasing daily attendance and preserving the associated funding. The district should consider the effect of mid-week holidays, religious and cultural holidays, staff development days, and other commonly missed school days when developing its student calendar to minimize absenteeism. The district may consider offering short-term independent study for students who are absent more than five days or Saturday school to recover truancy absences. The district may consider participation in the School Attendance Review Board (SARB). A list of potential strategies and activities that help encourage students to regularly attend school is provided by the CDE, and can be found at: https://www.cde.ca.gov/ls/ai/cw/attendstrategy.asp.

The district's unduplicated pupil percent has varied from 48.94% in 2015-16 to 42.83% in 2018-19. The district should ensure that it properly identifies all students who are eligible for free and reduced-price meals by participating in the direct certification process and performing the direct certification matches at least monthly. For students who are not directly certified, the district should offer the meal applications online, provide help to parents needing assistance in completing the application, and offer incentives to parents or students for returning applications. The district should ensure that it retains documentation to support the eligibility determination.

Fees and Other Charges

Although the Education Code provides for a free public school system, some exceptions are included, and the code authorizes certain fees. CDE Fiscal Management Advisory 17-01 provides details on allowable fees. The advisory may be found on the CDE website at: https://www.cde.ca.gov/re/lr/fm/fma1701rev.asp.

The district should consider requiring parents/guardians to pay part of the cost of home-to-school transportation for eligible pupils. California Education Code Section 39807.5 allows districts to implement this change in home-to-school transportation provided the student is not exempt in accordance with Section 39807.5(d). The amount is to be determined by the district's governing board, although it may not exceed the statewide average nonsubsidized cost of providing transportation to a student on a publicly owned or operated transit system.

The Education Code allows fees to be levied, but before determining if fees should be implemented, the district should analyze the population using its home-to-school transportation system to determine if charging fees would generate sufficient revenue to warrant implementation. The Education Code exempts students whose parents or guardians are indigent from paying transportation fees, and the State Board of Education recommends that districts use the free meal qualification guidelines to determine who is exempt. Therefore, the district would need to determine the number of students using its transportation service who qualify to receive free meals, and these students could not be charged.

The district may also implement a reduced transportation fee for students who qualify for reduced-price meals, so this information would also need to be included in the analysis. In addition, the district would need to estimate the number of students who would no longer attend district schools and/or use district transportation if fees were implemented. Additional information regarding home-to-school transportation fees may be found on the CDE website at http://www.cde.ca.gov/fg/aa/ca/ptran15feesltr.asp.

The district and county office should evaluate the efficiency and cost effectiveness of the district's transportation routes and develop and optimize bus routes to enhance efficiency. The agencies should review Administrative Regulation 3541 and consider increasing walking distances and ensure that they are adhering to them.

A district may charge a fee for field trips (including outdoor science camp programs) so long as no pupil is prevented from making the field trip or excursion because of lack of sufficient funds. The district should consider eliminating or reducing the number of field trips and athletic trips taken by students, particularly those out of state or those requiring an overnight stay. The district may consider soliciting donations to pay for field trip and athletic transportation costs.

The district should consider implementing a facility use fee schedule and charging a facility usage fee to cover maintenance and operational costs for groups using the district's facilities. Board Policy and Administrative Regulation 1330, Community Relations, authorizes the use of school facilities by district residents and community groups. The district should ensure that the fee covers no less than the direct costs of the facility use. Groups should be charged fair rental value when using school facilities or grounds where admission is charged or contributions solicited. The district should ensure that the facility usage fee is charged consistently unless an exemption applies.

With assistance from legal counsel, the district should develop a facility usage agreement for community groups using the district's facilities. A fee structure should be determined and implemented and can allow for reduced rates or fee exemptions for certain groups meeting established criteria. Consideration should also be given to ensuring appropriate insurance and liability coverage during usage.

Sales of Surplus Equipment

The district should determine if any unused or obsolete property, such as computers or district vehicles, can be sold as surplus equipment. The best business practices include the ongoing evaluation of surplus equipment to determine if items stored in empty classrooms or a warehouse facility can be used at another school site or if they can be disposed of as surplus. For example, the district could review the number of buses on hand and in use. Several private companies provide auction services for the sale of surplus goods, and many districts have found they can generate revenues through the use of these services, rather than paying to dispose of surplus items. This process may also help minimize the cost for storage and potential exposure to theft.

Parcel Tax

The district should explore the viability of a parcel tax to produce additional, reliable annual revenue. Many districts have sought the assistance of local voters to realize enhanced funding for operational programs through the implementation of a parcel tax. Parcel taxes are typically levied at a flat rate per parcel and must be uniformly applied to all real property owners, with the only permitted exemptions being senior citizens and federal supplemental security income disability benefits recipients. Parcel taxes can be difficult to pass since they require a two-thirds vote of the electorate. The advice of experienced financial advisors and legal counsel should be obtained before determining whether to place a local parcel tax measure on a ballot.

Special Education Extraordinary Cost Pool

The county office and the district should consider participating in the special education extraordinary cost pool. As part of the special education Assembly Bill (AB) 602 formula, the program reimburses Special Education Local Plan Areas (SELPAs) for extraordinary costs of single placements in nonpublic, nonsectarian schools (NPS) and special education and related services for pupils residing in licensed children's institutions (LCI). Information about the program may be found on the CDE website at https://www.cde.ca.gov/fg/aa/se/senpslciecp.asp.

Expenditure Reductions

Spending and Hiring Freeze

The district and county office should consider implementing an immediate spending freeze with all purchases and expenditures not already encumbered requiring written approval in advance from the chief business official. Many districts freeze spending during difficult financial situations. The key to implementing a spending freeze is to do it immediately and without exception for unrestricted general fund expenditures, excluding health and safety issues. Spending of restricted program funding may need to continue because many resources include deadlines by which all funds must be expended or returned to the grantor. Like spending freezes, purchase order cut-off dates can help reduce spending and make it easier to estimate the ending fund balances and reserves. The purchase order cut-off date should include all expenditures from all funding sources and should be early enough in the year (normally in March and April) that a thorough review of each resource can be made to ensure that all restricted resource expenditure deadlines are met. The district and county office would benefit from considering the implementation of spending freezes and/or purchase order cut-off dates each year.

The district and the county office should also consider a hiring freeze for all nonessential positions. Any positions vacated by retirement, resignation, or other means should be thoroughly evaluated for the opportunity to potentially close or restructure the position instead of automatically refilling it. Additionally, the agencies should consider a freeze on all overtime hours. Any overtime work that is deemed necessary should require justification and approval in advance by the CBO.

The district and the county office should also consider eliminating of nonessential travel and conference and professional development expenditures unless paid for from restricted funds.

Restricted Funds

The district and COE should ensure that all restricted funds are appropriately allocated to all qualifying expenditures before expending unrestricted dollars. Restricted funds should always be spent in accordance with the program or funding guidelines but ensuring that all qualifying expenditures are appropriately coded to the applicable restricted programs will provide maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose. The district and COE have large carryover balances in restricted programs including restricted lottery, Title I, and Title II.

Indirect Costs

The district and COE should ensure that all programs are charged the maximum allowable indirect cost rate even when this results in a contribution back to the resource from the unrestricted resource. General management costs, or indirect costs, are necessary for any program to exist. General management costs consist of administrative activities necessary for the general operation of the agency, such as accounting, budgeting, payroll preparation, personnel services, purchasing, and centralized data processing. By using an indirect cost rate, LEAs have a standardized, efficient way to recover a share of general management costs from individual programs. The rates charged to each program are established by the CDE for all LEAs in California. An LEA may claim up to its approved indirect cost rate unless there is specific authority (legislation or regulation) to limit the rate. By charging each program the maximum allowable rate, an LEA can provide equitable indirect cost charges across the organization, and also ensure that all general management costs are adequately supported by the various programs.

Developer Fee Administrative Charge

The capital facilities fund, otherwise known as the developer fee fund, is used primarily to account for funds received from fees levied on developers or other agencies as a condition of approving a development. The district collects Level I developer fees, and per Education Code Section 17620 is allowed to charge up to 3% of the annual developer fees collected for administrative costs and transfer those funds to the general fund.

School Staffing Levels

The district operates schools in a geographic landscape that includes mountainous terrain exceeding 9,000 feet at the highest points. This presents weather difficulties during the winter months that can affect attendance at some schools because of snow and ice. Because of these geographic limitations, the district maintains more schools in various locations with fewer students than statewide averages per school. Three small elementary schools are located in remote areas of the county: Pine Grove Elementary with a 2017-18 enrollment of 287, Pioneer Elementary with a 2017-18 enrollment of 218, and Plymouth Elementary with a 2017-18 enrollment of 212. Operating schools of this size efficiently is difficult because full-time administrative, clerical, and custodial staff are employed at each site. The district should consider a shared principal position between some of its elementary schools.

The district operates two junior high schools, Ione Junior High with a 2017-18 enrollment of 336 and Jackson Junior High with a 2017-18 enrollment of 337. Both schools employ a principal, a vice principal, an administrative assistant, and an office clerk. The district should consider a shared vice principal position between the two schools.

The most recent certificated collective bargaining agreement identifies class size maximums of 30 students for grades K-3, 32 students for grades 4-6, 28 students for multigrade combinations, and 35 students in grades 7-12. Class size averages reported on the school's 2017-18 School Accountability Report Card (SARC) are shown in the table below. The district should consider reviewing staffing at the elementary and junior high schools and adjust staffing levels based on ratios and enrollment.

Average Class Size by Grade Span - 2017-18

School/Grade Span	K-3	4-6	7-8
Ione Elementary	24.5	22.5	
Jackson Elementary	22.5	26	
Pine Grove Elementary	26.7	28.3	
Pioneer Elementary	24.7	27.3	
Plymouth Elementary	25	26	
Sutter Creek Elementary	24.5	29	
Ione Junior High		21	24
Jackson Junior High		21	22

The district has two high schools, both of which are comparatively small for a typical California high school. Amador High, located in Sutter Creek, had enrollment of 724 in 2017-18, and Argonaut High, located in Jackson, had enrollment of 475. In a county of approximately 600 square miles, the two high schools are both centrally located within the county, situated less than five miles apart.

At both high schools, class sizes are well below the maximum class size of 35 (for most subjects) for grades 7-12 as agreed to in the most recent certificated bargaining agreement. The master schedules at both high schools show only one class at Amador High and two classes at Argonaut High having the maximum enrollment of 35. At Amador High, 55% of classes offered had 25 or fewer students enrolled. At Argonaut High, 72% of the classes offered had 25 or fewer students enrolled. Class size averages for core subject classes reported on the school's 2017-18 SARC are shown in the table below. The district should consider reviewing staffing and enrollment at the high schools and adjust staffing levels based on approved ratios and enrollment. The district should also consider sharing administrative staff at the high schools.

Average Class Size, School Year 2017-18

	Amador High School	Argonaut High School
English	20	15
Mathematics	18	20
Science	19	12
Social Science	21	15

FCMAT recognizes that the two high schools could not easily be consolidated or combined using existing facilities, and that expansion of either site may not be feasible because of land restrictions as well as financial limitations. The district should consider reviewing the possibility and cost-effectiveness of transporting students between the two high schools for certain advanced placement or elective classes that can be more efficiently consolidated into one classroom.

Close Charter School

The county office authorized Shenandoah Valley Charter School in 2014, and the school began operations in 2014-15. The school serves grades 7 and 8 and is located in the town of Plymouth in northwestern Amador County. The county office retains oversight responsibilities of the charter's fiscal and academic operations, which is essential to ensure a charter school's overall operational stability, as well as to enable the authorizer to intervene when necessary. Enrollment at the school in the first year of operation was 35 students and peaked in 2017-18 at 47.

Enrollment reported on the 2018-19 Fall 1 CALPADS was 41. However, as this report was being finalized, county office staff reported that enrollment for 2018-19 had declined significantly to 13 students. county office staff also reported that staffing was not reduced with the decline in enrollment, with two teachers, an administrative assistant, and a part-time principal serving the charter. The charter's initial five-year approval term is due for renewal at the end of the 2018-19 school year. The county office should review and consider nonrenewal and closure of the Shenandoah Valley Charter School beyond 2018-19, because of severely declining enrollment and lack of viability and sustainability. In its analysis, the county office should weigh the loss of LCFF revenue against the operational cost savings.

Retirement Incentive

If the district and/or county office decide to reduce staff, they should consider offering an early retirement incentive as an alternative to or in addition to layoffs. If the goal is to reduce the total number of positions and the retiring employees will not be replaced, a retirement incentive may offer savings since employees who are eligible for retirement are generally at the top end of the salary schedule, and those who may be laid off are typically at or near the low end of the salary schedule. The district and the county office should conduct a cost/benefit analysis to determine the feasibility of such a program, taking into consideration the total cost of the incentive including incentive payments, postemployment benefits paid to retirees, and the number of employees it would have naturally lost through attrition.

Routine Restricted Maintenance Account

Districts participating in the School Facility Program are required to contribute 3% of the total general fund expenditures and other financing uses to the RRMA. Flexibility was provided to districts beginning in 2008-09 reducing the required contribution to the RRMA from 3% to 1% of general fund expenditures and other financing uses. This flexibility was phased out beginning in 2015-16. For 2018-19, districts are required to contribute the greater of: the lesser of 3% of total general fund expenditures and other financing sources or the amount that the district deposited to the account in 2014-15; or 2% of total general fund expenditures and other financing uses. Beginning in 2019-20, the district is required to contribute the full 3% of general fund expenditures and other financing uses.

The district projects a contribution of $1,273,878 to resource 8150, the routine restricted maintenance account (RRMA) in the budget year. The required minimum contribution reported on the 2018-19 first interim report is $1,166,486. The district should consider reducing RRMA expenditures and contributing only the required amount in the budget year and subsequent years.

County offices have a different requirement for contributions to RRMA. They are required to deposit a minimum amount equal to or greater than 3% of the total unrestricted general fund expenditures and other financing sources for that fiscal year. The flexibility provisions afforded to county offices for 2018-19 allow it to deposit a minimum that is the greater of the following amounts: the lesser of 3% of total unrestricted general fund expenditures and other financing uses for that fiscal year or the amount that the county office deposited into the account for the 2014-15 fiscal year; or 2% of the total unrestricted general fund expenditures and other financing uses for that fiscal year. Beginning in 2019-20, the county office is required to contribute the full 3% of unrestricted general fund expenditures and other financing uses.

The county office projects a contribution of $155,000 (5.6%) to resource 8150, routine restricted maintenance in the budget year. The required minimum contribution reported on the 2018-19 first interim report is $39,300. The county office should consider reducing RRMA expenditures and contribution to the minimum amount required in the budget year and subsequent years.

Special Education Costs

In the 2017-18 fiscal year, approximately 12.8% of the district's K-12 enrollment is identified as requiring special education, which is above the statewide average of 10.7%. Identification of special needs students is influenced by a district's implementation of general education supports such as student study teams (SSTs), Response to Instruction and Intervention (RtI^2), and a Multi-Tiered System of Supports (MTSS). The district should ensure that it implements structured interventions to support students in the general education environment and improve accurate identification of students requiring special education services. The district should review assessment requests and determine if general education interventions are appropriate before assessment for special education. The county office spent over $450,000 in each of the prior two fiscal years on nonpublic school (NPS) placements. The county office should closely monitor the number of students placed in separate schools and develop plans to create additional or alternative placement options in its schools. The county office should develop strategies to decrease NPS costs through the provision of services in district programs.

Recommendations

The district and the county office should:

1. Consider adopting strategies to improve the rate of attendance.
2. Consider adopting strategies to correctly identify unduplicated pupils.
3. Analyze the population that uses home-to-school transportation to determine if charging fees would generate sufficient revenue to warrant this change. Consider implementing fees if the analysis indicates sufficient revenues are attainable.
4. Consider implementing a fee for field trips (including outdoor science camp programs).
5. Implement and consistently apply a facility use fee that covers no less than the direct costs of the facility use.

6. Evaluate storage of surplus equipment to determine if these items can be used or sold at auction.
7. Evaluate the feasibility of putting a parcel tax measure on the ballot.
8. Consider participating in the special education extraordinary cost pool, which reimburses SELPAs for extraordinary costs of pupil placements.
9. Consider implementing an immediate spending freeze in the current year and a purchase order cut-off date each year.
10. Consider implementing a hiring freeze for all nonessential positions. Eliminate or reduce overtime.
11. Review all expenditures in the services and other operating expenditures category (travel and conferences, professional development, contract services) for all possible savings.
12. Ensure that restricted funds are appropriately allocated to all qualifying expenditures before expending unrestricted dollars.
13. Consider charging all resources and funds the maximum allowable indirect cost rate even if this results in a contribution from the unrestricted general fund.
14. Consider charging a 3% administration fee on developer fees collected, and transfer those revenues to the general fund.
15. Continually review and monitor certificated staff assignments and class sizes to ensure staffing levels are appropriate and cost-effective.
16. Consider not renewing the Shenandoah Valley charter and closing the school.
17. Conduct a cost/benefit analysis to determine the feasibility of offering an early retirement incentive, and consider all costs including incentive payments, postemployment benefits, and employees lost through natural attrition.
18. Consider reducing RRMA expenditures, and reduce the contribution to the minimum amount required.
19. Consider arranging for a special education study to evaluate potential savings and/or restructuring of service delivery models.

Appendix

Appendix A: Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
October 4, 2018

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Amador County Office of Education/Amador County Unified School District, hereinafter referred to as the COE/district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). The COE/district has requested that the team assign professionals to study specific aspects of the county/district operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Review the COE's 2018-19 adoption general fund budget and use it as a baseline to develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the county's financial status. The MYFP will be a snapshot in time of the county's current financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the county eliminate its structural deficit and maintain financial solvency.
2. Review the district's 2018-19 adoption general fund budget and use it as a baseline to develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district eliminate its structural deficit and maintain financial solvency.

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

A. $800 per day for each staff team member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.

B. All out-of-pocket expenses, including travel, meals, and lodging.

C. The COE/district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon COE/district's acceptance of the final report.

Based on the elements identified in section 2A, the total not-to-exceed cost of the study will be $6,700.

D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent, located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE COE/DISTRICT

A. The COE/district will provide office and conference room space during on-site reviews.

B. The COE/district will provide the following if requested:

1. Policies, regulations and prior reports that address the study scope.
2. Current or proposed organizational charts.
3. Current and two prior years' audit reports.
4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the COE/district and sent to FCMAT in electronic format.
5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the COE/district shall upload all requested documents.

C. The COE/district's administration will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

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

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	***to be determined***
Staff Interviews:	***to be determined***
Exit Meeting:	***to be determined***
Preliminary Report Submitted:	***to be determined***
Final Report Submitted:	***to be determined***
Board Presentation:	***to be determined, if requested***
Follow-Up Support:	***if requested***

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the COE/district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the COE/district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the COE/district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the COE/district will be responsible for the full costs. The COE/district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COE/district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COE/district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the COE/district in any manner without prior express written authorization from an officer of the COE/district.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the COE/district, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Amador COE/Amador County Unified SD named as additional insured, indicating applicable insurance coverages upon request.

10. HOLD HARMLESS

FCMAT shall hold the COE/district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the COE/district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

Contact person: Jared Critchfield, Assistant Superintendent, Business Services
Telephone: (209) 257-5375
E-mail: jcritchfield@acusd.org

A Slavensky — October 10, 2018
Amy Slavensky, Superintendent — Date
Amador COE/Amador County Unified SD

Michael H. Fine — October 4, 2018
Michael H. Fine — Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team