



# Amador County Office of Education Unified School District

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© Fiscal Crisis & Management  
Assistance Team

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## Fiscal Crisis & Management Assistance Team

- FCMAT was established by Assembly Bill 1200 in 1992 to help local educational agencies (LEAs) comply with fiscal accountability standards.
- FCMAT provides management assistance, fiscal crisis intervention and other services to LEAs.
- FCMAT is an external, independent agency of the state.
- The Kern County Superintendent of Schools serves as FCMAT's administrative agent.

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## Scope of Work

- In October 2018, Amador COE/USD and FCMAT entered into an agreement for management assistance.
- Review the county office's 2018-19 adopted 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 office's financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the county office eliminate its structural deficit and maintain fiscal solvency.
- 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. Make recommendations for expenditure reductions and/or revenue enhancements to help the district eliminate its structural deficit and maintain fiscal solvency.

## Study Guidelines

- FCMAT visited the district on December 18-19, 2018.
- The team interviewed certificated, classified, and administrative staff from the district office, school sites, and other departments.
- The team reviewed numerous documents and financial reports, including annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical information provided by the district.
- The 2018-19 first interim reports were used as the baseline to develop the MYFPs.

## Multiyear Financial Projections

- A fiscal-planning method that allows the board, county office, and district to make budget decisions aligning resources with goals.
- MYFPs are a snapshot in time with inherent limitations.
- Based on the most reliable information known at the time of preparation.
- Based on assumptions including enrollment trends, costs-of-living increases, state and national economic conditions, and others.
- Projection is a trend based on assumptions, not a prediction of exact outcome.
- Differences should be expected.

## Budget Certifications

- Positive – the LEA will meet its financial obligations for the current and two subsequent fiscal years.
- Qualified – the LEA may not meet its financial obligations for the current or two subsequent years.
- Negative – the LEA will not be able to meet its financial obligations for the rest of the current or the subsequent fiscal year.
- The county office and the district each filed a qualified certification for the 2018-19 first interim reports.
- The California Department of Education (CDE) changed the county office's 2018-19 first interim certification from qualified to negative.

## ACOE 2017-18 Unaudited Actuals

ACOE 2017-18 Unaudited Actuals			
	Unrestricted	Restricted	Combined
Revenues	\$ 3,263,254	\$ 8,725,609	\$ 11,988,874
Expenditures	\$ 2,775,321	\$ 10,050,629	\$ 12,825,949
Surplus (Deficit)	\$ 487,934	\$ (1,325,019)	\$ (837,075)
Transfers In	\$ 21,478	\$ -	\$ 21,478
Other Sources	\$ -	\$ (207)	\$ (207)
Contributions	\$ (1,060,372)	\$ 1,060,372	\$ -
Increase (Decrease) in Fund Balance	\$ (550,960)	\$ (264,854)	\$ (815,804)
Beginning Fund Balance	\$ 630,281	\$ 718,809	\$ 1,349,090
Ending Fund Balance	\$ 79,321	\$ 453,955	\$ 533,286

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## ACUSD 2017-18 Unaudited Actuals

ACUSD 2017-18 Unaudited Actuals			
	Unrestricted	Restricted	Combined
Revenues	\$ 35,986,908	\$ 2,799,213	\$ 38,786,120
Expenditures	\$ 35,833,076	\$ 4,232,731	\$ 40,065,806
Excess (Deficiency)	\$ 153,832	\$ (1,433,518)	\$ (1,279,686)
Transfers In	\$ 300,000	\$ -	\$ 300,000
Transfers Out	\$ 167,298	\$ -	\$ 167,298
Contributions	\$ (1,191,701)	\$ 1,191,701	\$ -
Increase (Decrease) in Fund Balance	\$ (905,167)	\$ (241,817)	\$ (1,146,984)
Beginning Fund Balance	\$ 1,111,813	\$ 1,070,027	\$ 2,181,841
Ending Fund Balance	\$ 206,646	\$ 828,211	\$ 1,034,856

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## FCMAT's Multiyear Financial Projection

- 2018-19 first interim report used as baseline.
- FCMAT's Budget Explorer multiyear projection software used.
- Industry-standard variables provided by School Services of California (SSC) Financial Dashboard.
- Reviewed current year-to-date revenues and expenditures.
- Reviewed historical revenue and expenditure trends.
- Reviewed current and historical enrollment and ADA trends.
- Events subsequent to December 18-19, 2018 not included.

## Key Assumptions

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%
CalPERS Employer Rate (projected)	18.062%	20.7%	23.4%
CalSTRS Employer Rate (statutory)	16.28%	17.10%	18.10%

# Multiyear Financial Projection

Amador County Office of Education

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## COE LCFF Revenues

- Operations Grant
  - Minimum grant per county office (\$697,059)
  - Number of school districts in the county (\$116,176 per district)
  - County ADA attributable to school districts, charter schools, and schools operated by the county superintendent
- Alternative Education Grant
  - Base grant per ADA of certain pupils served by the county office (on probation, probation referred, and expelled, juvenile court school)
  - Supplemental funding
  - Concentration funding
- Charter School local control funding formula (LCFF) Entitlement

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## Enrollment Projections Community School

- Enrollment and ADA projections have inherent limitations because they are based on assumptions instead of exact calculations.
- Projections should be updated regularly to allow time to adjust staffing.
- Reviewed historical data from 2013-14 to present.
- Because of historical fluctuations and unpredictability, FCMAT's projections held enrollment, ADA, and unduplicated pupil percentage (UPP) projections flat.
- 2018-19 enrollment and UPP numbers are actual from CALPADS.
- 2018-19 ADA number is based on actual P1 number.

## County Funded Non-Juvenile Court Enrollment/UPP/ADA

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Projected	2019-20 Projected	2020-21 Projected
Enrollment	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%

## Charter School Enrollment Projections

- Enrollment and ADA projections have inherent limitations because they are based on assumptions instead of exact calculations.
- Projections should be updated regularly to allow time to adjust staffing.
- Reviewed historical data from 2014-15 to present.
- Small increases between 2014-15 and 2017-18 then decline in 2018-19.
- Enrollment and UPP projection based on actual 2018-19 CALPADS data.
- ADA based on actual 2018-19 P1 multiplied by historical rate of P1 to P2.
- Projected years reflect a rate of decline similar to 2018-19 decline.

## Shenandoah Valley Charter School

	2014-15	2015-16	2016-17	2017-18	2018-19 Projected	2019-20 Projected	2020-21 Projected
Enrollment	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	38.20	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%



## County Office LCFF Entitlement

	2017-18	2018-19	2019-20	2020-21
Countywide ADA	3,940.96	3,940.96	3,940.96	3,940.96
Operations ADA grant	\$ 285,444	\$ 293,168	\$ 300,695	\$ 308,735
Operations Base Grant	\$ 678,667	\$ 697,059	\$ 714,973	\$ 734,063
District Allowance	\$ 113,111	\$ 116,176	\$ 119,162	\$ 122,344
Total Operations Grant	\$ 1,077,222	\$ 1,106,403	\$ 1,134,830	\$ 1,165,142
Community School ADA	0.51	1.98	1.98	1.98
Base Grant	\$ 5,919	\$ 23,604	\$ 24,211	\$ 24,857
Supplemental Grant	\$ 2,072	\$ 8,262	\$ 8,474	\$ 8,700
Concentration Grant	\$ 1,036	\$ 4,131	\$ 4,237	\$ 4,350
Total Alternative Education Grant	\$ 9,027	\$ 35,997	\$ 36,922	\$ 37,907
Total LCFF Entitlement	\$ 1,086,249	\$ 1,142,400	\$ 1,171,752	\$ 1,203,049

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## Shenandoah Valley Charter School LCFF

Shenandoah Valley Charter School LCFF Revenues				
	2017-18	2018-19	2019-20	2020-21
Enrollment	47	41	35	30
Unduplicated Pupil Percentage	34.07%	35.82%	35.77%	36.79%
ADA	43.14	32.88	28.00	24.00
Base Grant	\$ 324,327	\$ 256,332	\$ 223,888	\$ 197,016
Supplemental Grant	\$ 22,100	\$ 18,364	\$ 16,017	\$ 14,496
Total Target	\$ 346,427	\$ 274,696	\$ 239,905	\$ 211,512
Floor	\$ 331,279	\$ 257,452	\$ 233,926	\$ 200,508
GAP funding	\$ 6,509	\$ 17,244	\$ -	\$ -
Total LCFF Entitlement	\$ 337,788	\$ 274,696	\$ 239,905	\$ 211,512

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## FCMAT's Multiyear Financial Projection

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

## County Office Fiscal Position

- Deficit spending in all three years of the projection.
- Negative unrestricted ending fund balance in all three projected years.
- Unable to meet reserve requirement in any of the three projected years.
- Immediate action needed to avoid insolvency and maintain local governance and control.
- At risk of cash insolvency and state intervention.
- Must implement a financial plan that identifies revenue enhancements and/or expenditure reductions to eliminate deficit spending and restore reserve.

# Multiyear Financial Projection

Amador County Unified School District

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## School District LCFF Revenues

- A base per-pupil grant that varies by grade level.
- A supplemental grant providing an additional 20% of the base grant multiplied by the district's percentage of unduplicated pupil count.
- A concentration grant providing an additional 50% of the base grant multiplied by the district's percentage of unduplicated pupils that exceed 55% of enrollment.

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## Enrollment Projections School District

- Enrollment and ADA projections have inherent limitations because they are based on assumptions instead of exact calculations.
- Projections should be updated regularly to allow time to adjust staffing.
- Reviewed historical data from 2013-14 to present.
- Compared CALPADS enrollment counts to P-2 ADA to determine average ADA-to-enrollment ratios.
- Cohort survival technique to project enrollment in grades 1-12.
- Historical countywide live births to kindergarten enrollment in five years.

## Kindergarten Enrollment, Actual and Projected

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%

## ACUSD Enrollment, 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
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
7th Grade	212	275	295	252	299	291	281	298
8th Grade	229	273	271	301	264	294	310	299
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
<b>Total</b>	<b>3,708</b>	<b>3,825</b>	<b>3,829</b>	<b>3,864</b>	<b>3,926</b>	<b>3,962</b>	<b>4,077</b>	<b>4,185</b>

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## ACUSD Enrollment, UPP, and ADA

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Projected	2020-21 Projected
<b>Total Enrollment</b>	<b>3,708</b>	<b>3,825</b>	<b>3,829</b>	<b>3,864</b>	<b>3,926</b>	<b>3,962</b>	<b>4,077</b>	<b>4,185</b>
Enrollment +/-	(176)	117	4	35	62	36	115	108
Unduplicated Pupil Count	1619	1722	1874	1697	1855	1697	1865	1915
<b>UPP%</b>	<b>43.66%</b>	<b>45.02%</b>	<b>48.94%</b>	<b>43.92%</b>	<b>47.25%</b>	<b>42.83%</b>	<b>45.76%</b>	<b>45.76%</b>
<b>P2 Attendance</b>	<b>3,452.40</b>	<b>3,627.02</b>	<b>3,626.01</b>	<b>3,621.10</b>	<b>3,732.96</b>	<b>3,735.58</b>	<b>3,843.44</b>	<b>3,945.79</b>
%P2 / Enrollment	93.1%	94.8%	94.7%	93.7%	95.1%	94.3%	94.3%	94.3%

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## ACUSD LCFF Revenues

	2017-18	2018-19	2019-20	2020-21
Enrollment	3,916	3,962	4,096	4,207
Unduplicated Pupil Percentage	45.49%	44.96%	45.19%	44.65%
ADA	3,732.96	3,727.25	3,873.53	3,978.78
Base Grant	\$ 31,435,565	\$ 32,597,722	\$ 34,639,923	\$ 36,528,615
Supplemental Grant	\$ 2,860,008	\$ 2,931,186	\$ 3,130,757	\$ 3,262,005
Add-ons	\$ 1,230,560	\$ 1,230,560	\$ 1,230,560	\$ 1,230,560
Total Target	\$ 35,526,133	\$ 36,759,468	\$ 39,001,240	\$ 41,021,180
Floor	\$ 33,406,607	\$ 34,317,294	\$ 37,972,094	\$ 38,880,029
GAP Funding	\$ 910,685	\$ 2,442,174	\$ -	\$ -
Total LCFF Entitlement	\$ 34,317,292	\$ 36,759,468	\$ 39,001,240	\$ 41,021,180

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## FCMAT's Multiyear Financial Projection

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)

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## ACUSD Fiscal Position

- Projected deficit spending in the base year of the projection.
- Negative unrestricted ending fund balance in the base year.
- Negative unrestricted ending fund balance in the first subsequent year.
- Unable to meet reserve requirement in any of the three projected years
- Must take immediate action to avoid insolvency and maintain local governance and control.
- At risk of cash insolvency and state intervention.
- Must implement a financial plan that identifies revenue enhancements and/or expenditure reductions to eliminate deficit spending and restore reserve.

## Summary of Recommendations Budget and MYFP

Amador County Office of Education  
Amador County Unified School District

## Recommendations

- Develop separate fiscal recovery plans to eliminate the structural deficit in the general fund.
- Adopt a budget and MYFP that eliminate deficit spending and restore the reserve requirements in the budget and projections years.
- Maintain a reserve level sufficient to ensure that cash is available to meet payroll and other expenditure obligations.
- Monitor current year and subsequent year cash flow at least monthly.
- Ensure that MYFPs are kept up to date and that the information they contain is accurate and based on the most current assumptions available.

## Recommendations

- Update revenue budgets throughout the year to ensure they match information provided by the CDE and award letters.
- Ensure the position control system includes costs for substitutes, overtime, extra duty pay, stipends, and vacation payouts.
- Review all budgets monthly and make adjustments to help prevent variances between budgeted and actual expenses at year-end.
- 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.



## Recommendations

- 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.
- 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.

## Summary of Recommendations Revenues and Expenditures

Amador County Office of Education  
Amador County Unified School District

## Revenue Enhancements

- Consider adopting strategies to improve rate of attendance.
- Consider adopting strategies to correctly identify unduplicated pupils.
- Consider implementing a home-to-school transportation fee.
- Consider implementing a fee for field trips.
- Implement and consistently apply a facility use fee that covers no less than the direct costs of the facility use.
- Evaluate storage of surplus equipment to determine if items can be used or sold.
- Evaluate the feasibility of putting a parcel tax measure on the ballot.

## Revenue Enhancements

- Consider participating in the special education extraordinary cost pool, which reimburses SELPAs for extraordinary costs of pupil placements.

## Expenditure Reductions

- Consider implementing an immediate spending freeze in the current year and a purchase order cut-off date each year.
- Consider implementing a hiring freeze for all non essential positions. Eliminate or reduce overtime.
- Review all expenditures in the services and other operating expenditures category (travel and conferences, professional development, contract services) for all possible savings.
- Ensure that restricted funds are appropriately allocated to all qualifying expenditures before expending unrestricted dollars.

## Expenditure Reductions

- Consider charging all resources and funds the maximum allowable indirect cost rate even if this results in a contribution from the unrestricted general fund.
- Consider charging a 3% administration fee on developer fees collected, and transfer those revenues to the general fund.
- Continually review and monitor certificated staff assignments and class sizes to ensure staffing levels are appropriate and cost-effective.
- Consider nonrenewal of the Shenandoah Valley Charter School and closing the school.

## Expenditure Reductions

- Conduct a cost/benefit analysis to determine the feasibility of offering an early retirement incentive.
- Consider reducing routine, restricted maintenance account (RRMA) expenditures and reduce the contribution to the minimum amount required.
- Consider arranging for a special education study to evaluate potential savings and/or restructuring of service delivery models.

## Conclusion

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Amador County Unified School District

## Deficit Spending

- Deficit spending occurs when the LEA's expenditures exceed its revenue in any given year.
- Deficit spending can occur in the budget year because of carryover and/or the receipt of one-time revenue and the timing of expending those funds.
- Deficit spending must be carefully controlled.

## Structural Deficit

- Deficit spending in a single year is not always problematic; however, a structural deficit presents great concern.
- A structural deficit occurs when a deficit is projected in each year of a multiyear financial projection.
- A structural deficit can quickly erode the LEA's fund balance and lead to fiscal insolvency if not corrected timely.
- The LEA may run out of cash and become fiscally insolvent, resulting in state intervention and loss of local control.

## Oversight Agency

- The 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 county office or the district cannot meet their 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 county office or district superintendent.
- The SPI must follow Education Code section 1630 when assisting the county office or the district.

## Oversight Responsibilities of the SPI

- If the SPI determines that the LEA may be unable to meet its financial obligations for the current or two subsequent fiscal years, it must do at least one of the following as necessary:
  - Assign a fiscal expert to advise the county office or the district
  - Conduct a study of the financial and budgetary conditions of the LEA
  - Direct the LEA to submit a financial projection of all fund and cash balances
  - Require the LEA to encumber all contracts and other obligations
  - Require the LEA to submit a proposal to address the fiscal conditions
  - Withhold the compensation of the governing board and superintendent for failure to provide requested information

## Oversight Responsibilities of the SPI

- If the SPI determines that the LEA will be unable to meet its financial obligations for the current or subsequent fiscal year, it must take at least one of the following actions:
  - Appoint a fiscal advisor to develop and impose a budget revision that will enable the LEA to meet its financial obligations in the current year
  - Stay or rescind any action that is inconsistent with the ability of the LEA to meet its obligations for the current and subsequent fiscal year
  - Assist in developing a financial plan that will enable the LEA to meet its future obligations
  - Assist in developing a budget for the subsequent fiscal year

## Emergency Appropriation

- If an LEA has insufficient funds to meet its current obligations, an emergency apportionment loan may be requested from the state.
- Emergency apportionment loans are provided through a legislative appropriation and involve lengthy and complicated steps.
- 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.

## State Intervention Process

- The SPI may assume all the legal rights, duties, and powers of the governing board.
- The SPI may appoint an administrator or trustee to act on behalf of the superintendent.
- The LEA is responsible for repaying the state loan with interest; the cost of the state administrator or trustee and FCMAT's services are factored into the loan.
- FCMAT returns at least annually to make periodic assessments of the LEA's progress.
- The recovery process can take up to 20 years.

**Thank you!**