FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

September 15, 2020

Jorge Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

Dear Superintendent Aguilar:

In May 2020, the Sacramento City Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to provide management assistance to the district. The agreement stated that FCMAT would perform the following:

1. Review the district's budget and develop an independent multiyear financial projection (MYFP) and cash flow analysis for 2019-20 and two subsequent fiscal years, to determine whether the district will need an emergency appropriation.

To assess the district's 2019-20 general fund third interim budget report and complete a MYFP and cash flow analysis, FCMAT conducted interviews by video conference on May 19-22, 2020 and reviewed numerous documents provided by the district and other sources. The purpose of this letter is to provide the findings and recommendations identified by FCMAT following completion of fieldwork and document analysis.

Introduction

The 2019-20 school year was an unprecedented time for California's local educational agencies (LEAs), the state, nation, and the world. The governor's January 2020-21 state budget proposal included a positive economic forecast with moderate funding growth for LEAs that included a cost-of-living adjustment (COLA), some one-time funds for new categorical programs, and increased funding for other programs. However, within the first few months of 2020, the COVID-19 pandemic caused severe negative impacts on economies throughout the world, California schools were closed for in-person instruction, and LEAs were immediately left to determine how to provide meals and instruction to students remotely.

The governor's May revision contained drastic cuts to LEAs including a 10% reduction to the Local Control Funding Formula (LCFF), which included suspension of the COLA, cash deferrals, and cuts to numerous categorical programs. After negotiations between the legislature and the governor, the enacted 2020-21 state budget included suspension of the COLA, but replaced further cuts to the LCFF and existing categorical programs with increased cash deferrals, provided reductions to the rate increases for employee pensions, and included substantial one-time federal and state funds for costs due to COVID-19.

These significant changes made throughout the state's 2020-21 budget process caused the need for LEAs to develop numerous budget, MYFP and cash flow projection scenarios during the 2020-21 local budget development cycle. Given the pandemic's uncertainties, the continuing changes being made to address it, and resulting ongoing economic impacts, LEAs must be prepared for possible additional financial issues that extend beyond 2020-21.

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One-time funding, such as that provided by the state in prior years and COVID-19 relief funds in 2020-21, can temporarily mask an ongoing operational deficit; one-time funds should not be used for ongoing costs. Districts that maintained healthy financial reserves and cash balances and proactively managed budget adjustments and reductions before the economic downturn will be in a better position to weather the economic crisis. Districts that had minimal reserves and/or cash balances may be forced to make more drastic cuts to remain fiscally solvent. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge for LEAs and their governing boards who have a fiduciary duty to ensure solvency.

AB 1200 Oversight

If at any time during the fiscal year a district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the state superintendent of public instruction (SPI). The county office is required to follow Education Code Section 42127.6 when assisting a school district in this situation and take all actions necessary to ensure the district meets its financial obligations. Assistance includes steps such as assigning a fiscal expert or fiscal advisor to advise the district on financial issues, conducting a study of the district's financial and budget conditions and requiring the district to submit a proposal for addressing its fiscal condition.

During fiscal year 2018-19 and 2019-20, the Sacramento City Unified School District filed negative certifications for all its first and second interim financial reporting periods. According to Education Code Section 42131, a negative certification indicates that based on current projections, the district will be unable to meet its financial obligations in the current fiscal year or the subsequent fiscal year. A district that has a qualified or negative second interim report certification must also complete projections of its fund and cash balances through the remainder of the fiscal year for the period ending April 30. This is commonly referred to as the third interim report.

The district's 2017-18 and 2018-19 unaudited actuals reports show deficit spending of $12.86 million and a net increase of $860,000, respectively, in the unrestricted general fund. The 2019-20 third interim report projects $37.49 million in deficit spending in 2020-21 and $61.79 million in 2021-22. As discussed later in this letter, FCMAT's MYFP also projects deficit spending in the unrestricted general fund in 2020-21 and 2021-22.

The 2018-19 and 2019-20 budget and interim report review letters from the county office discuss ongoing projected deficit spending in the unrestricted general fund. The letters indicate that the county office assigned a fiscal advisor to the district in 2018-19, disapproved the district's 2018-19 and 2019-20 adopted budgets, and concurred with the district's negative certification of its first and second interim reports during each of these fiscal years. The September 11, 2019 letter from the county office regarding disapproval of the 2019-20 budget states the following:

> Since the district's 2018-2019 Adopted Budget was submitted one year ago, the district has made considerable progress toward stabilizing its budget. However, the cuts thus far are not enough to remove the structural deficit, and although the date the district projects it will become cash insolvent has been delayed, the risk has not been eliminated.

Regular and frequent budget monitoring becomes even more critical in times of fiscal uncertainty. The district will need to ensure that multiyear financial and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available. This is particularly important because economic indicators may change rapidly as California continues to try to balance its budget.

Multiyear Financial Projections

Multiyear financial projections are required by Assembly Bill (AB) 1200 and AB 2756 and are a part of the budget adoption and interim reporting process. AB 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight used to monitor school districts' fiscal position. Among other things, AB 2756 strengthened the roles of the SPI and county offices of education and their ability to intervene during fiscal crises. In the case of a district that does not meet its required reserve levels, the intent of the MYFP is also to help the county office and the district formulate a plan to regain fiscal solvency and restore the reserve.

MYFPs help LEAs make more informed decisions and project the future effects of current decisions. Projections are a required part of annual budget development and must be evaluated and updated during each interim financial reporting period. They should also be updated before any significant decisions are made that affect the budget, such as salary and benefit increases. In developing and implementing its MYFPs, a district's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The MYFP helps identify specific planning milestones that will help the district make decisions.

Financial planning is crucial for every LEA, regardless of its size or structure. Long-term financial planning helps a district strategically align its budget with its instructional goals and programs. In addition, recognizing financial trends is essential to maintaining a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget priorities and direction and highlight possible areas of concern.

Any projection of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment trends; cost-of-living adjustments; estimates for utilities, supplies and equipment; and changing economic conditions at the state, federal and local levels. Therefore, the budget projection model should be viewed and evaluated as a trend based on certain criteria and assumptions rather than as a prediction of exact numbers.

LEAs statewide had to update their multiyear assumptions and projections several times during the 2020-21 budget adoption process because of the negative impacts of COVID-19 on the state and federal economy. Multiyear projections can become somewhat less reliable in a time of fiscal instability, especially for the subsequent fiscal years, because projected revenue information from the state may frequently change. However, the MYFP still provides guidance for decisions that affect multiple fiscal years, and the district must continue to update and reassess the ramifications of state-imposed budget adjustments and cash deferrals.

FCMAT developed its MYFP using the latest information included in the 2020-21 state budget. The MYFP developed for this report indicates deficit spending in the unrestricted general fund of $19.76 million and $43.05 million in 2020-21 and 2021-22, respectively. The unrestricted general fund ending balance is projected to decline from $80.53 million (13.91%) in 2019-20 to $17.73 million (3.05%) in 2021-22 if actions are not taken to increase revenues and/or reduce expenditures. The projection assumes no additional state funding cuts; however, due to the evolving public health crisis and any resulting economic impact, the district should be aware that additional state funding reductions and/or cash deferrals may be forthcoming.

The district has faced fiscal challenges, including declining student enrollment, increased costs for health and welfare benefits, increased employer contributions for pension plans, an unfunded COLA, and cash deferrals for state apportionments, that will require the governing board and administration to continue to make and implement difficult decisions to ensure that the district remains fiscally solvent.

FCMAT strongly recommends that the district maintain a reserve level sufficient to ensure that cash is available to meet payroll and other expenditure obligations and to avoid any adverse effects related to the requirements of AB 1200 and AB 2756.

Enrollment and Average Daily Attendance

Accurate enrollment tracking and analysis of average daily attendance (ADA) are essential to providing a solid foundation for budget planning. Because the district's primary funding is based on the total number of student attendance days, monitoring and projecting student enrollment and attendance is a crucial function and should be done at a minimum at each reporting period to ensure the most recent data is included in budget assumptions. When enrollment and related ADA decline, the district must consider the budgetary effects of the decline on student-to-teacher ratios and plan accordingly. The district must also exercise extreme caution regarding issues such as negotiations, staffing and deficit spending to ensure fiscal solvency. Accurate tracking and analysis of enrollment and ADA can help the district project future revenues and control staffing expenditures to help maintain fiscal solvency.

The study team reviewed county birth rate statistics and used FCMAT's Projection-Pro software to prepare enrollment, ADA and unduplicated pupil count projections for the current and two subsequent years. The Projection-Pro software uses the cohort survival method, which groups students by grade level upon entry and tracks them through each year that they stay in school. This method evaluates the longitudinal relationship of the number of students who pass from one grade to the next in a subsequent year.

FCMAT reviewed the district's enrollment and ADA trends for 2014-15 through 2019-20. The review compared October California Longitudinal Pupil Achievement Data System (CALPADS) student enrollment counts, as reported by the California Department of Education (CDE), to the second period principal apportionment (P-2) ADA to determine the average ADA-to-enrollment ratios. Historical data indicates that the district has experienced declining enrollment each year since 2017-18, and FCMAT's projections indicate that enrollment will continue to decline in 2020-21 and 2021-22.

The following table shows the district's historical enrollment, projected enrollment using the cohort survival method, and the historical and projected P-2 ADA as a percentage of enrollment.

	2017-18	2018-19	2019-20	2020-21 Projected	2021-22 Projected
Enrollment	40,854	40,660	40,409	40,242	40,000
ADA %	94.49%	94.50%	94.57%	94.45%	94.44%

Multiyear Financial Projection Assumptions

The MYFP prepared by FCMAT uses the district's 2019-20 third interim report as the baseline and includes the impact of the 2020-21 adopted state budget. The study team reviewed district records, interviewed staff members, and examined financial documents to gather information to verify the base year (2019-20) and prepare the MYFP.

Key planning factors and budget assumptions used by FCMAT to prepare the MYFP are based on the latest information available at the time the projection was completed, as shown in the following table, and are further described in the paragraphs below.

Planning Factor	2019-20	2020-21	2021-22
Statutory COLA (Department of Finance)	3.26%	2.31%	2.48%
LCFF COLA	3.26%	0.00%	0.00%
State Categorical COLA	3.26%	0.00%	0.00%
Recommended Planning COLA	3.26%	0.00%	0.00%
California CPI	2.34%	0.98%	1.59%
Interest Rate for Ten-Year Treasuries	1.25%	0.89%	1.24%
California Lottery, Unrestricted per ADA	$148.78	$150.00	$150.00
California Lottery, Restricted per ADA (Prop 20)	$48.41	$49.00	$49.00
Mandate Block Grant, District (K-8), per ADA	$32.18	$32.18	$32.18
Mandate Block Grant, District (9-12), per ADA	$61.94	$61.94	$61.94
CalPERS Employer Rate (projected)	19.721%	20.70%	22.84%
CalSTRS Employer Rate (statutory)	17.10%	16.15%	16.00%
Step and Column, Certificated	1.20%	1.50%	1.50%
Step, Classified	0.82%	0.57%	0.57%
Indirect Cost Rate	4.50%	3.79%	3.91%

Sources: School Services of California (SSC) 2020-21 Adopted State Budget Dartboard, CDE, district records.

Revenues

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. Adjustments were made for any one-time funds or carryover from previous years.

Local Control Funding Formula (LCFF) Sources

The LCFF is the funding model for school district and charter school operational funding. It 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 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 exceeds 55% of total enrollment.

The introduction of the LCFF funding model eliminated many former state categorical programs, and the related funding was redirected to support the implementation of the LCFF. Full implementation of the LCFF 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. After full implementation, 2019-20 funding was increased by the COLA only, calculated with other variable factors, such as changes in attendance and in student unduplicated counts. For most districts, including Sacramento City, 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.

The COVID-19 pandemic has resulted in a recession with significant negative effects on state revenues. The 2020-21 state budget suspends the statutory COLA for 2020-21 resulting in a funded COLA of 0%. A COLA of 0% is also assumed for the 2021-22 fiscal year.

When completing the 2019-20 third interim report, the district used FCMAT's LCFF calculator released on January 14, 2020 to project LCFF revenues for 2019-20 and subsequent years. In completing its analysis, FCMAT used the adopted budget version of the calculator (updated July 13, 2020), which was not available when the district completed its third interim report. This, coupled with FCMAT's enrollment and ADA analysis discussed previously, resulted in differences to projected ADA and unduplicated pupil percentage (UPP) values and LCFF revenues.

FCMAT's projection of ADA and UPP for 2019-20 resulted in a reduction of approximately $153,000 in LCFF revenues. This reduction is caused primarily by a decrease in the UPP resulting from an audit adjustment in 2018-19. FCMAT's projection of LCFF revenues for 2020-21 was lower than the district's because FCMAT's UPP projection was lower. The enacted state budget included a hold harmless provision for 2020-21 ADA, which uses the 2019-20 P-2 in place of reporting attendance for apportionment purposes in 2020-21. Because district LCFF apportionments are based on the greater of current or prior year P-2 ADA, this resulted in a higher projection of LCFF revenues for 2021-22 since 2019-20 ADA is higher and is considered the prior year for 2021-22.

If the district's enrollment and ADA continue to decrease, LCFF revenues are likely to decline significantly in 2022-23 because without the continuance of the ADA hold harmless provision, LCFF funding will be based on a two-year decline in enrollment and ADA, rather than a one-year decline. In addition, if the state's economy continues to decline, further cuts to revenues could occur in the subsequent years.

	2019-20		2020-21		2021-22	
	District	FCMAT	District	FCMAT	District	FCMAT
COLA	3.26%	3.26%	0%	0%	0%	0%
Funded ADA	38,470.98	38,501.38	38,310.11	38,316.76	38,079.53	38,316.76
UPP	72.03%	71.81%	72.22%	71.88%	72.06%	71.89%
LCFF Revenues	$411,121,603	$410,968,388	$410,161,125	$409,495,717	$407,064,031	$409,518,684

Federal Revenue

Federal funding amounts were reviewed, verified, and adjusted as appropriate in the base year. Except for any one-time funding, FCMAT assumed unchanged funding levels for federal programs with no COLA in 2020-21 and 2021-22.

FCMAT decreased federal revenues by $7.3 million in 2019-20 to match budget amounts to award letters, to adjust some budgeted revenues to actual amounts received to date, and to adjust certain revenue sources for unspent grant awards based on the federal cash management data collection schedule. The revenues for unspent grant awards for programs on the federal cash management reporting schedule were recognized in the year that expenses are projected to occur. Comprehensive Support and Improvement (CSI) revenues were increased $1.87 million to agree with the award letter. A decrease of $8.5 million was made to Title I Part A, Title II, Title III, and Title IV Part A revenues to adjust for unspent grant awards. Medi-Cal Billing Option revenues were decreased $800,000 to align revenues with the prior year actual amount received and the current amount received to date. Smaller increases or decreases were made to various other programs.

One-time and carryover revenues included in the 2019-20 budget were eliminated from FCMAT's projections in subsequent years. Revenues were reduced by $8.1 million in 2020-21 including $4.9 million in School Improvement Grant (SIG), $3.1 million in CSI program funding, which ends in 2019-20, and smaller reductions to various other federal programs. Further reductions of $12.9 million to federal revenues were made in 2021-22 for the termination of SIG funding, which ends in 2020-21.

One-time revenues of $15.8 million for Elementary and Secondary School Emergency Relief (ESSER) funds were added in 2020-21 and eliminated in 2021-22. The district must complete an application to receive these revenues, and the CDE website indicates that the district submitted the required assurances on June 22, 2020. The funds are to be used to address the impact that COVID-19 has had on the district and may be used for any allowable expenditure incurred on or after March 13, 2020 through September 30, 2022.

One-time Learning Loss Mitigation revenues of $37.0 million were added in 2020-21 and eliminated in 2021-22. The funds must be spent on activities that directly support pupil academic achievement and mitigate learning loss related to COVID-19 school closures. The majority of the funds must be used on expenditures occurring from March 1, 2020 through December 30, 2020. Approximately $3 million must be used on expenditures occurring from March 13, 2020 through September 30, 2021.

Other State Revenue

State grant award amounts for 2019-20 were confirmed and carried forward to 2020-21 and 2021-22 with no COLA. Reductions totaling approximately $125,000 were made to the 2019-20 revenues to match budget amounts to award notifications and to adjust some revenues to actual amounts received.

One-time and carryover revenues were eliminated from the projection in 2020-21 and 2021-22. Revenue projections were decreased by $10.7 million in 2020-21, including $4.2 million in Special Education Early Intervention funds, $3.4 million in Career Technical Education Incentive Grant revenues, $860,000 in Strong Workforce Program revenues, approximately $666,000 in COVID-19 funds and $916,000 in one-time Low Performing Students Block Grant revenues. An increase in the special education base rate and low incidence funding results in a projected increase of $3.35 million in 2020-21 and is assumed to be ongoing. One-time Learning Loss Mitigation Funds of $3.5 million were added to the projection in 2020-21 and eliminated in 2021-22.

Mandate Funding

The district received $7.1 million in one-time funds for previous years' mandate claims in 2018-19 that will not be received in 2019-20 or subsequent years. FCMAT's projection for the ongoing Mandate Block Grant for 2019-20 remains unchanged from the district's third interim budget. Funding in subsequent years is projected based on per ADA amounts from the SSC Dartboard with no COLA applied. Receipt of Mandate Block Grant funds is contingent on the district filing a funding application each year with the CDE.

Lottery

FCMAT projected lottery revenues for 2019-20 based on projected annual ADA, multiplied by $148.78 for unrestricted and $48.41 for restricted lottery instructional materials, per the CDE. Revenues in the subsequent years were based on projected annual ADA multiplied by $150 for unrestricted and $49 for restricted, per the SSC Dartboard. These are the most current assumptions available for projecting lottery revenues. 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.

Other Local Revenue

The district receives local revenues from interest earnings, leases and rentals, fees and contracts, donations, and other miscellaneous sources. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, consider 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 district's budgeted amounts for reasonableness using the prior two years' actual revenues and 2019-20 year-to-date actual receipts. Amounts attributed to leases and rentals, fees and contracts, and interest were found to be reasonable and were considered to be ongoing in the subsequent years of the projection. Amounts attributed to donations and other local grants were adjusted in 2019-20 based on grant or award letters, contracts, or actual amounts received. Most of these sources were considered to be one-time and were eliminated in the subsequent years of the projection unless documentation was provided that identified the funding as ongoing.

Although FCMAT's projections assume a static level of funding in subsequent years for leases and rentals and fees and contracts, the ongoing closure of school facilities may negatively affect these revenue sources. Additionally, except for the June 2020 to July 2020 deferral, FCMAT's projection for interest earnings assumes the district will be granted an exemption from all state apportionment deferrals. However, if the deferral exemption is not granted, cash balances and therefore interest revenues will decrease.

Expenditures

The district's 2019-20 third interim expense assumptions were reviewed and assessed based on prior year history and 2018-19 third interim expenditures as a percentage of unaudited actuals. Expenses to date were reviewed for all resources as of April 30, 2020, and all major resources were reviewed again as of May 31, 2020. Information provided by the district was used to support items such as the transfer of teacher salaries between resources, insurance refunds, special education expenses, charter services, legal costs, debt service, capital expenditures and other outgo. Documents provided by the district, the third interim MYFP, budget report narratives, historical spending, and interviews were used to support expenditure additions and reductions in FCMAT's analysis.

Attempts to tie the position control reports provided by the district to the budget were unsuccessful. This lack of readily available accurate data from the software system could hinder management's ability to analyze salary-related expenses and require additional staff time to complete its analysis throughout the year. The position control database, in its current state, does not properly report and maintain the number of full-time equivalent (FTE) positions, assignment changes, and vacancy information required to support the budget. Therefore, the position control reports provided to FCMAT cannot be relied upon for staffing or MYFPs. One of the most critical elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of school district budgets, and FCMAT's analysis shows that salaries and benefits account for 94% of Sacramento City's 2019-20 unrestricted general fund expenditure budget.

The district's position control report listed 551 vacancies. FCMAT's analysis includes adjustments for those positions on the Human Resources Department lists for active recruiting as of June 2020 and certificated staffing decreases due to declining enrollment, as shown in the district's third interim Form MYP. No other adjustments for position decreases or increases are included in the FCMAT analysis because action had not been taken to fill, freeze or eliminate the remaining positions shown as vacant on the district's position control report.

Some of the expenditure variances discussed in the following paragraphs are related to the restructure of the 2019-20 school year because of COVID-19. The variances were estimated based on prior year expenditures and their relationship to the transition to distance learning.

Salaries

The district's financial software system generated a reasonable gross cost of the fiscal impact of annual step-and-column increases. In addition, FCMAT used information provided by the district to support certificated retiree salary savings. As discussed below in the Employee Benefits section, the salary savings are offset by the associated retiree health benefit expenses. Such detailed information is necessary to accurately estimate the multiyear impact of step and column costs.

FCMAT found that district documents include various percentages for annual step and column costs. For example, the third interim Form MYP includes a 2020-21 projection of 1.1% for certificated step-and-column costs and 0.7% for classified. However, the third interim narrative states 1.2% for certificated and 0.82% for classified. Although these variances are minor, a best practice is to explain any variances to ensure information is consistently presented.

FCMAT's MYFP does not include potential additional costs related to state minimum wage increases, which are scheduled to increase to $14 per hour on January 1, 2021 and $15 per hour on January 1, 2022. The scope of FCMAT's work did not include an analysis to determine if these increases will have a material effect on the district's budget.

Certificated Salaries

FCMAT's analysis of expenditures through May 31, 2020 and projected expenditures through June 2020 indicates that 2019-20 unrestricted general fund certificated salary expenses are overbudgeted by $3.1 million. The analysis of restricted resources indicates that projected expenses are overbudgeted by $4.0 million, including $2.3 million in Title I.

To compute the annual cost of step-and-column, FCMAT used the dollar amount calculated by the district's financial system and divided it by the 2019-20 adjusted base salary total. While this generates a gross rate of 1.5%, the rate does not include retiree salary savings and associated health benefit costs, which need to be factored in to generate the net rate. In FCMAT's analysis, retirees in 2020-21 who occupied active positions in 2019-20 were replaced with new employees at lower salaries. Salary information provided by the district supports annual retiree salary savings of approximately $2.0 million. However, this savings is offset and may be exceeded by the additional costs and long-term liabilities related to retiree health benefits.

The district's third interim Form MYP includes the addition of $2.4 million in unrestricted certificated salaries in 2020-21, due to positions being shifted from Title I funding. This salary shift was reported in the unrestricted Form MYP, but it appears it was not reduced from the restricted Form MYP, thereby overstating combined salaries by this amount. FCMAT's MYFP adjusted for the reduction in restricted salaries in 2020-21 and added ongoing salary expenses related to one-time savings in 2019-20 (due to COVID-19) for substitutes, extra duty, etc. These ongoing salary expenses were added using the greater of 2018-19 or 2019-20 expenses as a basis for the projection.

Classified Salaries

FCMAT's analysis of expenditures through May 31, 2020 and projected expenditures through June 2020 indicates that 2019-20 unrestricted general fund classified salary expenses are overbudgeted by $1.2 million, and restricted resources are overbudgeted by $1.1 million.

To compute the annual step cost for classified employees, FCMAT used the dollar amount calculated by the district's financial system and divided it by the 2019-20 adjusted base salary total, which generates a gross rate of .57%.

FCMAT's 2020-21 MYFP includes the addition of ongoing salary expenses related to one-time savings in 2019-20 (due to COVID-19) for part-time hourly employees, transportation and instructional aide vacancies, overtime, substitutes, etc. These ongoing salary expenses were added using the greater of 2018-19 or 2019-20 expenses as a basis for the projection.

Employee Benefits

Benefit accounts are maintained in a web-based system, supported by the insurance provider, and accounted for in the district's financial system. No budget monitoring report that included each employee, his or her position information and the amount paid by the district for his or her health benefits was provided to the study team. Interviews indicated that employee benefit databases and the general ledger are not reconciled on a regular and ongoing basis.

FCMAT's analysis of expenditures through May 31, 2020 and projected expenditures through June 2020 indicates that 2019-20 unrestricted general fund expenses for health and welfare costs and other postemployment benefits (OPEB) levies are overbudgeted by $2.6 million, and restricted resources are overbudgeted by $1.5 million. In addition, the analysis indicates that STRS and PERS are overbudgeted by $200,000 in the unrestricted general fund and $900,000 in restricted resources. All other benefits budgets combined are overbudgeted by approximately $400,000.

As discussed above, the district's third interim report includes the addition of $2.4 million in unrestricted general fund certificated salaries in 2020-21, due to positions being shifted from Title I funding, but it appears this amount was not reduced from the district's restricted resources. FCMAT's MYFP adjusted for the reduction of $600,000 in Title I for employee benefits associated with this salary shift.

FCMAT's MYFP includes an ongoing increase in 2020-21 of $1.1 million for health and welfare expenses, due to the one-time rebate provided in June 2020. Health and welfare benefits were increased by 9.4% each year in 2020-21 and 2021-22. This increase was based on the most current rate information available as of June 2020. The district's broker indicated that rate increases for classified employees may be higher; however, classified rate changes occur in January and apply to only six months of the 2020-21 fiscal year.

The estimated annual pay-as-you-go costs for new certificated retirees have been added to FCMAT's MYFP at the rate of $540,000 in 2020-21 and an additional $701,000 in 2021-22. In addition to the annual costs, long-term OPEB liabilities are estimated to increase by more than $3 million in 2020-21 and $4 million in 2021-22. These expenses were based on the OPEB actuarial report for the fiscal year ending June 2019, the estimated 9.4% medical rate increases in 2020-21 and 2021-22, and other district provided information. While it is outside the scope of this analysis to calculate and project the exact timing and impact of OPEB expenses, the number of retirees (3,118) on the district health plan continues to grow closer to the number of active employees (4,278), and the levy for retiree health and welfare costs should be closely monitored to ensure it is sufficient to cover the annual pay-as-you-go cost, at a minimum, and to ensure that the unfunded liability for OPEB does not continue to grow.

Books and Supplies

Based on FCMAT's analysis, an unusually large portion of the 2019-20 books and supplies budget will not be expended. The district's third interim executive summary indicates that carryover funds are budgeted in books and supplies as a placeholder until the district determines how to expend them. FCMAT's analysis of expenditures through May 31, 2020 and projected expenditures through June 2020 indicates that 2019-20 unrestricted general fund expenses for books and supplies are overbudgeted by $3.6 million, and restricted resources are overbudgeted by $4.1 million. The vacancy in the facilities administrative position may contribute to the underexpenditure of $1.8 million in the routine restricted maintenance account (RRMA), which is part of the restricted resources total. Other significant portions of the unspent funds appear to reside in lottery instructional materials $1.2 million, other restricted local resources $1.2 million, Title III $900,000, SIG $900,000, Medi-Cal $700.000, and the after school programs $700,000. FCMAT's analysis includes shifting $5.5 million for COVID-19 related expenses, originally paid from fund 21, to federal learning loss mitigation resources.

The third interim executive summary and other information provided by the district were used to support additions and reductions in FCMAT's MYFP. District spreadsheets provided for the third interim MYFP calculation include the addition of textbook adoptions totaling $10 million in 2020-21 and $5 million in 2021-22. However, interviews and other district-provided documents indicate $4 million to $6 million is needed for textbook adoptions in each of these years, and additional funds will be needed in 2022-23. Therefore, FCMAT included $6 million in 2020-21 and $4 million in 2021-22 in its MYFP for textbook adoptions.

One-time savings in books and supply costs related to restructure of the 2019-20 school year due to COVID-19 were added back to FCMAT's MYFP in 2020-21 as ongoing expenses using the greater of 2018-19 or 2019-20 expenses as the basis for the projection. All books and supplies budgeted to CSI and SIG were terminated in 2021-22 due to the expiration of funding. The FCMAT MYFP also includes adjustments based on the consumer price index (CPI).

Services and Other Operating

The district's second interim executive summary indicated that some of the budgeted professional development expenses did not occur, and this may have been further exacerbated by the restructure of the 2019-20 school year due to COVID-19. FCMAT's analysis of expenditures through May 31, 2020 and projected expenditures through June 2020 indicates that 2019-20 unrestricted general fund expenses for services and other operating expenditures are overbudgeted by $2.3 million, primarily because of $1.4 million in utility savings.

The analysis indicates that restricted resources expenses are overbudgeted by $8.6 million; this includes special education expenses that appear to be overbudgeted by $2.2 million, primarily in non-public school (NPS) and other contracts. A review of the spreadsheet provided by the district to support budgeted special education expenses found that while the methodology used to project expenses appears sound, the basis of the projection used 2018-19 estimated actuals rather than 2018-19 unaudited actuals. The vacancy in the facilities administrative position may contribute to the underexpenditure of $1.1 million in the RRMA. Other significant portions of the unspent funds appear to reside in SIG $1.4 million, Title IV Part A $1.5 million, various career technical education programs $600,000, Medi-Cal $500,000, Title I $500,000 and other restricted local resources $600,000.

The third interim executive summary and other information provided by the district were used to support additions and reductions in FCMAT's MYFP, including an increase of 5% per year in utilities.

One-time savings in services and other operating costs related to restructure of the 2019-20 school year due to COVID-19 were added back to FCMAT's MYFP in 2020-21 as ongoing expenses using the greater of 2018-19 or 2019-20 expenses as the basis for the projection. FCMAT's MYFP includes the use of all federal and state COVID-19 relief funds in 2020-21 (excluding the $5.5 million expended in 2019-20). All services budgeted to the Low Performing Students Block Grant were terminated in 2020-21, and those budgeted to CSI and SIG were terminated in 2021-22 due to the expiration of funding. Special education service provider expenditures were increased approximately 8% per year based on the historical average of 2017-18 actual expenditures compared to 2018-19 actual expenditures (as reported in the Special Education Maintenance of Effort (SEMA reports)). The FCMAT MYFP also includes adjustments based on the CPI.

Capital Outlay

Interviews indicated that capital outlay expenses paid by the general fund are typically budgeted using a zero-based budgeting method. FCMAT's analysis found no significant variance in the unrestricted general fund, and restricted resources are overbudgeted by $1.1 million. The majority of the overbudgeted amount is in RRMA ($500,000) and the Career Technical Education Incentive Grant ($400,000).

Other Outgo/Indirect Costs

In 2019-20, the district applied indirect costs to its restricted programs including special education. FCMAT reduced the indirect cost earnings in the unrestricted general fund by $1.4 million based on the reduced expenditures included in its analysis.

FCMAT's MYFP applies an indirect cost rate of 3.79% in 2020-21 and 3.91% in 2021-22 based on the 2018-19 unaudited actuals indirect cost rate worksheet (Form ICR).

Other Financing Sources/Uses

Transfers In

The district transfers funds from the charter schools fund to the general fund for fees and oversight costs. In FCMAT's MYFP, this transfer is assumed to be ongoing at the third interim $2.2 million budgeted amount.

Transfers Out

The third interim report included contributions to the charter schools, adult education and child development funds. In FCMAT's MYFP, these transfers are assumed to be ongoing at the third interim $2.6 million budgeted amount.

Contributions

When revenues in restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. Restricted programs should be self-supporting, with the exception of special education, routine restricted maintenance, and any restricted program the district has made a deliberate decision to support with unrestricted general funds. The special education program typically has insufficient state and federal funding support, and the district is required to make a 3% contribution to the routine restricted maintenance account.

Due to increasing costs year-over-year, the district may need to reduce expenditures in several of its restricted resources to remain within the projected revenue estimates. When restricted resource expenditure budgets exceeded projected revenue in the subsequent years of the MYFP, FCMAT reduced expenditures in the 4000 (books and supplies) and 5000 (services and other operating) object codes where possible to remain within the projected revenue estimates. However, this action may also affect programs by the reduction of expenditures for these items. No reductions were made in salary and benefit budgets. A contribution was made from the unrestricted general fund to balance any restricted resource where expenditures still exceeded revenue after these adjustments.

The following table shows projected contributions to the district's restricted resources.

	Resource Code	Base Year 2019-20	Year 1 2020-21	Year 2 2021-22
Unrestricted Resources				
Unrestricted	0000	($89,249,124)	($95,584,657)	($111,646,314)
Total Unrestricted		($89,249,124)	($95,584,657)	($111,646,314)
Restricted Resources				
School Improvement Grant	3180	$0	$0	$11,373,694
ESSA: School Improvement Funding (CSI)	3182	$0	$0	$280,213
Department of Rehabilitation: Workability	3410	$7,086	$13,028	$23,582
Medi-Cal Billing Option	5640	$0	$276,036	$895,270
Special Education	Various	$73,127,742	$77,341,620	$82,507,613
Ongoing & Major Maintenance Account (RRMA)	8150	$16,114,296	$ 17,953,973	$ 16,565,942
Total Restricted		$89,249,124	$95,584,657	$111,646,314

The 2019-20 third interim report includes a contribution of $17.5 million to the RRMA. After the application of FCMAT's adjustments, this amount was reduced to $16.1 million. As provided in the 2020-21 state budget, FCMAT's MYFP excludes the on-behalf pension contributions (resource 7690) from the 3% RRMA calculation each year, beginning in 2020-21.

Restricted Resources

Expenditures that qualify to be charged against restricted resources should be appropriately coded to the applicable programs. This helps provide maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose. Developing plans to use restricted funds is an integral part of maximizing budgets and spending capacity. Although some unspent restricted funds may be related to the restructure of the 2019-20 school year due to COVID-19, based on the amount of carryover for grants and entitlements, it appears that all restricted funds may not be maximized prior to the expenditure of unrestricted resources. Examples of projected 2019-20 unspent restricted funds include: $5.5 million Title I, $4.1 million SIG, $2.5 million RRMA, $2.3 million Title IV, $2.1 million CSI, and $2.1 million other restricted local.

Multiyear Financial Projection Analysis

FCMAT has analyzed all general fund sources and expenditure categories by resource. The unrestricted general fund summary below includes a column showing the study team's adjustments to the base year and indicates that, without revenue increases and/or expenditure reductions, deficit spending of $19.76 million is projected in 2020-21 and $43.05 million in 2021-22. The unrestricted general fund ending balance is projected to decline from $80.53 million (13.91% - this includes the $5.5 million for COVID-19 costs that are charged to restricted resources in 2019-20 but the revenue is recognized in 2020-21, as allowed by CDE) in 2019-20 to $17.73 million (3.05%) in 2021-22.

To protect the district's financial solvency and eliminate deficit spending, the district will need to make difficult choices about which expenditures and programs will continue to be funded and which will be scaled back, reconfigured or eliminated, unless a significant increase in ongoing funding is provided.

Unrestricted General Fund Summary

Description	Object Code	Base Year 2019-20	Adjustments to Base Year	Year 2 2020-21	Year 3 2021-22
A. Revenues					
LCFF Sources	8010-8099	411,121,607.75	(153,219.00)	409,495,717.75	409,518,684.75
Federal Revenue	8100-8299	155,908.30	332,857.00	300,000.00	300,000.00
Other State Revenues	8300-8599	12,021,397.78	(93,161.00)	7,678,669.00	7,577,669.00
Other Local Revenues	8600-8799	7,577,955.55	62,956.00	6,714,964.00	6,714,964.00
Total, Revenue		430,876,869.38	149,433.00	424,189,350.75	424,111,317.75
B. Expenditures					
Certificated Salaries	1000-1999	160,345,199.44	(3,075,376.00)	162,849,062.14	162,810,220.51
Classified Salaries	2000-2999	40,685,765.82	(1,232,997.00)	41,055,123.18	41,289,137.39
Employee Benefits	3000-3999	109,146,396.02	(3,060,297.00)	113,908,845.00	120,609,847.29
Books and Supplies	4000-4999	6,521,592.33	(3,621,438.00)	10,388,810.39	9,151,729.69
Services and Other Operating Expenditures	5000-5999	24,638,110.21	(2,341,632.00)	25,626,056.86	26,644,318.99
Capital Outlay/Depreciation	6000-6999	448,316.02	53,390.00	611,016.02	611,016.02
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	917,738.00	50,438.00	967,986.00	967,527.00
Other Outgo - Transfers of Indirect Costs	7300-7399	(8,880,421.50)	1,378,283.18	(7,448,894.85)	(6,974,190.13)
Other Adjustments - Expenditures				-	-
Total, Expenditures		333,822,696.34	(11,849,628.82)	347,958,004.74	355,109,606.76
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		97,054,173.04	11,999,061.82	76,231,346.01	69,001,710.99
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	2,191,263.00	-	2,191,263.00	2,191,263.00
Transfers Out	7600-7629	2,594,535.42	-	2,594,535.42	2,594,535.42
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	(93,420,037.00)	4,170,912.92	(95,584,657.39)	(111,646,314.47)
Total, Other Financing Sources/Uses		(93,823,309.42)	4,170,912.92	(95,987,929.81)	(112,049,586.89)
E. Net Increase (Decrease) in Fund Balance/Net Position		3,230,863.62	16,169,974.74	(19,756,583.80)	(43,047,875.90)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	61,133,834.79		80,534,673.15	60,778,089.35
Audit Adjustments	9793	-		-	-
As of July 1- Audited		61,133,834.79		80,534,673.15	60,778,089.35
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		61,133,834.79		80,534,673.15	60,778,089.35
Ending Balance/Net Position, June 30		**80,534,673.15**		**60,778,089.35**	**17,730,213.45**
Components of Ending Fund Balance					
Nonspendable	9710-9719	329,056.94		329,056.94	329,056.94
Restricted	9740	-		-	-
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	10,742,864.04		12,337,768.96	11,412,415.39
Unassigned/Unappropriated Amount	9790	69,462,752.17		48,111,263.45	5,988,741.12

The restricted general fund summary below shows FCMAT's analysis of the district's restricted resources and includes a column showing the study team's adjustments to the base year.

Restricted General Fund Summary					
Description	**Object Code**	**Base Year 2019-20**	**Adjustments to Base Year**	**Year 2 2020-21**	**Year 3 2021-22**
A. Revenues					
LCFF Sources	8010-8099	-	-	-	-
Federal Revenue	8100-8299	66,562,042.59	(7,635,009.24)	105,945,607.51	40,918,220.48
Other State Revenues	8300-8599	63,050,864.29	(32,087.00)	63,372,600.10	59,842,080.10
Other Local Revenues	8600-8799	3,228,219.32	20,114.00	780,486.70	568,178.70
Total, Revenue		132,841,126.20	(7,646,982.24)	170,098,694.31	101,328,479.28
B. Expenditures					
Certificated Salaries	1000-1999	59,149,067.10	(4,028,840.90)	55,091,332.06	55,917,702.03
Classified Salaries	2000-2999	22,461,415.25	(1,131,353.32)	22,736,396.95	22,865,994.48
Employee Benefits	3000-3999	65,801,858.48	(2,546,944.10)	66,097,867.43	69,024,244.41
Books and Supplies	4000-4999	16,294,117.20	(4,106,932.42)	11,541,656.21	6,768,364.77
Services and Other Operating Expenditures	5000-5999	55,173,097.16	(8,587,145.00)	102,415,551.19	51,673,285.70
Capital Outlay/Depreciation	6000-6999	9,155,476.82	(1,101,575.70)	2,462,989.02	1,151,625.39
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	-	-	-	-
Other Outgo - Transfers of Indirect Costs	7300-7399	7,421,641.74	(1,378,283.18)	5,990,115.09	5,515,410.37
Other Adjustments - Expenditures				-	-
Total, Expenditures		235,456,673.75	(22,881,074.62)	266,335,907.95	212,916,627.15
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(102,615,547.55)	15,234,092.38	(96,237,213.64)	(111,588,147.87)
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	-	-	-	-
Transfers Out	7600-7629	-	-	-	-
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	93,420,037.00	(4,170,912.92)	95,584,657.39	111,646,314.47
Total, Other Financing Sources/Uses		93,420,037.00	(4,170,912.92)	95,584,657.39	111,646,314.47
E. Net Increase (Decrease) in Fund Balance/Net Position		(9,195,510.55)	11,063,179.46	(652,556.25)	58,166.60
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	9,195,510.53		11,063,179.44	10,410,623.19
Audit Adjustments	9793	-		-	-
As of July 1- Audited		9,195,510.53		11,063,179.44	10,410,623.19
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		9,195,510.53		11,063,179.44	10,410,623.19
Ending Balance/Net Position, June 30		11,063,179.44		10,410,623.19	10,468,789.79
Components of Ending Fund Balance					
Nonspendable	9710-9719	-		-	-
Restricted	9740	11,063,179.44		10,410,623.19	10,468,789.79
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	-		-	-
Unassigned/Unappropriated Amount	9790	-		-	-

The combined general fund summary below shows FCMAT's analysis of all the district's unrestricted and restricted general fund sources and includes a column showing the combined adjustments to the base year.

Combined General Fund Summary

Description	Object Code	Base Year 2019-20	Adjustments to Base Year	Year 2 2020-21	Year 3 2021-22
A. Revenues					
LCFF Sources	8010-8099	411,121,607.75	(153,219.00)	409,495,717.75	409,518,684.75
Federal Revenue	8100-8299	66,717,950.89	(7,302,152.24)	106,245,607.51	41,218,220.48
Other State Revenues	8300-8599	75,072,262.07	(125,248.00)	71,051,269.10	67,419,749.10
Other Local Revenues	8600-8799	10,806,174.87	83,070.00	7,495,450.70	7,283,142.70
Total, Revenue		563,717,995.58	(7,497,549.24)	594,288,045.06	525,439,797.03
B. Expenditures					
Certificated Salaries	1000-1999	219,494,266.54	(7,104,216.90)	217,940,394.20	218,727,922.54
Classified Salaries	2000-2999	63,147,181.07	(2,364,350.32)	63,791,520.13	64,155,131.87
Employee Benefits	3000-3999	174,948,254.50	(5,607,241.10)	180,006,712.43	189,634,091.70
Books and Supplies	4000-4999	22,815,709.53	(7,728,370.42)	21,930,466.60	15,920,094.46
Services and Other Operating Expenditures	5000-5999	79,811,207.37	(10,928,777.00)	128,041,608.05	78,317,604.69
Capital Outlay/Depreciation	6000-6999	9,603,792.84	(1,048,185.70)	3,074,005.04	1,762,641.41
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	917,738.00	50,438.00	967,986.00	967,527.00
Other Outgo - Transfers of Indirect Costs	7300-7399	(1,458,779.76)	-	(1,458,779.76)	(1,458,779.76)
Other Adjustments - Expenditures				-	-
Total, Expenditures		569,279,370.09	(34,730,703.44)	614,293,912.69	568,026,233.91
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(5,561,374.51)	27,233,154.20	(20,005,867.63)	(42,586,436.88)
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	2,191,263.00	-	2,191,263.00	2,191,263.00
Transfers Out	7600-7629	2,594,535.42	-	2,594,535.42	2,594,535.42
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	-	-	-	-
Total, Other Financing Sources/Uses		(403,272.42)	-	(403,272.42)	(403,272.42)
E. Net Increase (Decrease) in Fund Balance/Net Position		(5,964,646.93)	27,233,154.20	(20,409,140.05)	(42,989,709.30)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	70,329,345.32		91,597,852.59	71,188,712.54
Audit Adjustments	9793	-		-	-
As of July 1- Audited		70,329,345.32		91,597,852.59	71,188,712.54
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		70,329,345.32		91,597,852.59	71,188,712.54
Ending Balance/Net Position, June 30		91,597,852.59		71,188,712.54	28,199,003.24
Components of Ending Fund Balance					
Nonspendable	9710-9719	329,056.94		329,056.94	329,056.94
Restricted	9740	11,063,179.44		10,410,623.19	10,468,789.79
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	10,742,864.04		12,337,768.96	11,412,415.39
Unassigned/Unappropriated Amount	9790	69,462,752.17		48,111,263.45	5,988,741.12

Other Funds

In addition to analyzing the general fund, FCMAT completed a basic review of the district's other funds to determine their possible financial impact on the unrestricted general fund. The third interim report included transfers to the charter schools, adult education and child development funds totaling $2.6 million. Interviews indicated that some steps, such as closing the Parent Participation Preschool program in the adult education fund, are being taken to reduce costs or eliminate programs in funds that are not self-supporting. However, without an adequate increase in revenue and/or decrease in projected expenditures, these funds may require an increased contribution from the unrestricted general fund in future years. No other funds are expected to require a contribution from the unrestricted general fund in 2019-20 or the two subsequent fiscal years.

A review of the district's financial system report dated May 28, 2020 found that some resources with a 2018-19 ending balance also include the balance in 2019-20 as budgeted carryover revenue, thereby overstating 2019-20 revenue. Examples include fund 09 unrestricted and restricted lottery, California Clean Energy Jobs Act and the Classified School Employee Professional Development Block Grant, and fund 11 CalWORKs.

Charter Schools Special Revenue Fund

The 2019-20 second interim report projects that overall the charter schools fund (fund 09), used for reporting financial transactions of the five district-operated charter schools, will have a positive ending balance. However, interviews indicated that some of the schools within the fund are deficit spending, and a contribution from the unrestricted general fund is necessary to balance their budgets in each of the projected years.

Interviews with staff and district documents indicate that enrollment has declined at some of the district-operated charter schools since 2018-19 and is projected to continue to decline as shown in the following table.

	2018-19	2019-20	2020-21	2021-22	2022-23
Bowling Green	813	795	797	787	778
George Washington Carver	256	272	243	233	223
New Joseph Bonnheim	295	307	309	315	321
New Technology High	207	169	163	158	150
The MET	275	280	264	269	267
TOTAL	1,846	1,823	1,776	1,762	1,739

A review of the district's third interim LCFF calculations found that beginning in 2020-21, the calculations do not include in-lieu property tax transfers as a component of the total LCFF entitlement for three of the charter schools. Although this does not affect overall LCFF funding for each charter school, it may affect the cash flow for the charter schools and the district and should be included when calculating LCFF funding.

Building Fund

Interviews indicated that the building fund (fund 21) has sufficient resources to finish the projects in progress at the time of FCMAT's fieldwork. However, additional bonds will need to be issued to support the salaries and benefits charged to fund 21 and proceed with planned project expenditures. Interviews further indicated that the district has $77 million of Measure Q bonds remaining to be issued and that another general obligation bond, Measure H for $750 million, was authorized by the voters in March 2020.

Capital Facilities Fund

The district uses the capital facilities fund (fund 25) to deposit developer fees and the portion of funds received from redevelopment agencies (RDAs) that are not subject to the LCFF deduction. Annual debt service payments of approximately $5.5 million for the district's lease revenue bonds are split funded between fund 25 and the capital projects fund for blended component units (fund 49).

The district's most recent developer fee justification report was completed in September 2015. The State Allocation Board adjusts Level 1 developer fees every two years based on the construction cost index, and as of January 2020, the maximum rate for Level 1 fees is $4.08 per square foot for residential and $0.66 per square foot for commercial/industrial construction. To ensure it can collect the maximum allowable rate, the district should review and update its developer fee justification report, as necessary. In addition, interviews indicated that a study has not been completed to analyze the district's projected annual RDA revenues. Such a study should be completed for planning purposes and to determine if this funding stream can continue to be relied upon for lease revenue bond debt service payments.

Cash Flow Projections

The purpose of a cash flow statement is to project the timing of receipts and expenses so that an organization can understand its cash flow needs. The cash flow statement shows the district's liquidity and ability to meet its current payroll and other financial obligations. The cash flow analysis should not be confused with the district's budget and fund balance; it is a different analytical tool. The cash flow statement excludes transactions that do not directly affect cash receipts and payments.

Any projection of financial data for cash flow purposes has inherent limitations because of issues such as unanticipated changes in the timing of receipts and expenses and changing economic conditions at the state, federal and local levels. Therefore, the cash flow projection should be evaluated as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. Multiyear cash flow projections help a district make more informed decisions and enable it to better project the fiscal impact of current decisions. The cash flow projections should be updated at least monthly to accurately account for all revenues, expenditures and other changes related to cash.

Given the uncertainties of the pandemic, the resulting state budget crisis, and the possibility for a protracted economic recovery, cash management is one of the main concerns in every LEA. The state has a history of deferring payments to LEAs, and the 2020-21 state budget again includes cash deferrals with the first being the June to July 2020 apportionment deferral. The following table shows the 2020-21 apportionment deferral schedule as provided by CDE on September 9, 2020. These deferrals are assumed to be ongoing in FCMAT's cash flow projection for the district.

Month Due	% of Payment Deferred	Month Paid
February 2021	53%	November 2021
March 2021	82%	October 2021
April 2021	82%	September 2021
May 2021	82%	August 2021
June 2021	100%	July 2021

The size and frequency of the state's apportionment deferrals make it challenging for school districts to maintain fiscal sustainability and make it more critical than ever for districts to use effective methods to project and monitor cash flow. Cash is critical for operations and, although the balance sheet may include other assets, without sufficient cash the district is effectively bankrupt and may require intervention from the state. This makes it imperative for the district to emphasize cash flow analysis.

To complete the cash flow projections, FCMAT reviewed the district's 2018-19 and 2019-20 financial system Cashflow Summary reports that show all transactions that affect the general fund cash balance and the district's 2019-20 third interim cash flow projection. To calculate the projected monthly receipt and disbursement percentages, the study team compared the actual monthly totals by object code range, as shown on the 2019-20 CashFlow Summary report, to FCMAT's adjusted budget. Except for books/supplies and services, these percentages were applied to FCMAT's cash flow projection in each subsequent year. Because of the change in monthly disbursement percentages between 2018-19 and 2019-20, likely related to the restructure of the 2019-20 school year due to COVID-19, the study team used the 2018-19 percentages for books/supplies and services in each subsequent year.

Information provided by the district indicated that $5.5 million was spent in 2019-20 for Chromebooks and connectivity devices provided to students for distance learning, which FCMAT included in its 2019-20 budget adjustments and the 2019-20 cash flow projection for expenditures and 2020-21 cash flow projection for revenues. The remaining $50.8 million for federal and state COVID-19 relief funds are included in the cash flow projection as both received and spent in 2020-21 based on the latest payment schedule information provided by CDE and required expenditure deadlines.

The 2019-20 balance sheet items show an accrual balance of $4.4 million in assets and $2.6 million in liabilities. FCMAT's cash flow analysis assumes that all these amounts are received or paid by December 2020, except for amounts attributed to the revolving cash fund and stores, which are rolled forward each year. The cash flow analysis further assumes all year-end accruals are received or paid by December of the following fiscal year.

The following cash flow projections show a negative ending cash balance of $24.3 million in May 2021 and negative $49 million in June 2021. Negative ending cash balances are also projected in numerous months in the 2021-22 fiscal year. It is imperative for the district to monitor its cash regularly and complete monthly cash flow projections for the budget year and, at a minimum, one subsequent fiscal year to ensure that it can meet its financial obligations.

The district should be aware that any additional delay of cash receipts could cause further cash flow shortfalls. Because LEAs face the possibility of additional cash deferrals, it is more important than ever for the district to monitor monthly cash flow requirements. **The consequences of becoming cash insolvent are severe and should be avoided to maintain local governance and control of the district.** The district must closely track and update all fund balances and cash flow projections as economic data and other fiscal information continue to change.

2019-20 Cash Flow with June to July Deferral

Description	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accrual	Adjustment	Total	Variance
A. BEGINNING CASH	74,722,120.83	74,722,120.83	81,057,136.62	81,203,653.32	85,995,013.72	65,738,418.98	47,054,543.55	46,459,079.58	91,242,528.60	69,812,123.48	66,331,713.75	90,511,143.68	73,015,664.20				
B. RECEIPTS																	
LCFF Sources																	
Principal Apportionment	317,798,524.00	13,013,375.00	13,036,481.00	39,611,353.00	23,424,075.00	23,424,075.00	39,585,543.00	23,486,484.00	21,935,654.00	38,785,676.00	21,935,654.00	21,935,654.00	-	37,624,500.00	-	317,798,524.00	-
Property Taxes	106,091,809.95	-	-	-	-	1,056,201.64	-	61,009,316.48	6,981.02	13,035.61	37,770,697.98	11,280.68	10,666,429.45	(4,442,132.91)	-	106,091,809.95	-
Miscellaneous Funds & LCFF Transfers	(12,921,945.20)	-	3,101.21	-	(4,051,263.00)	-	-	(2,003,646.00)	2,415.17	(771,555.00)	(1,700,179.39)	(17,283.76)	470.76	(4,384,005.19)	-	(12,921,945.20)	-
Federal Revenue	59,415,798.65	6,222,682.76	46,539.49	58,487.32	334,917.74	654,693.53	670,961.24	3,264,488.14	544,286.64	4,015,943.22	4,336,865.32	832,938.82	8,558,957.70	29,874,036.73	-	59,415,798.65	-
Other State Revenue	74,947,014.07	3,944,951.65	2,091,372.64	4,758,918.39	2,078,055.18	8,831,839.44	6,190,315.33	2,268,074.00	2,218,289.43	4,292,598.82	7,793,386.59	2,735,683.00	2,905,764.37	24,837,765.23	-	74,947,014.07	-
Other Local Revenue	10,889,244.87	1,392,229.49	503,252.87	162,952.11	752,944.54	592,639.21	161,216.62	562,624.13	425,014.89	354,760.96	1,366,807.09	292,175.12	848,577.38	3,474,050.46	-	10,889,244.87	-
Interfund Transfers in	2,191,263.00	-	-	-	-	-	-	1,291,523.00	-	-	77,330.96	-	-	822,409.04	-	2,191,263.00	-
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	558,411,709.34	24,573,238.90	15,680,747.21	44,591,710.82	22,538,729.46	34,559,448.82	46,608,036.19	89,878,863.75	25,132,641.15	46,690,459.61	71,580,562.55	25,790,447.86	22,980,199.66	87,806,623.36	-	558,411,709.34	-
C. DISBURSEMENTS																	
Certificated Salaries	212,390,049.64	1,673,720.67	3,849,445.50	19,335,610.53	20,896,116.95	20,249,351.49	20,786,692.39	20,368,693.76	20,253,245.98	21,018,616.53	20,506,945.06	19,730,674.63	20,379,810.15	3,341,126.00	-	212,390,049.64	-
Classified Salaries	60,782,830.75	2,835,825.02	4,008,872.33	5,136,185.01	5,358,558.37	5,292,344.43	5,504,840.32	5,456,488.18	5,189,786.15	5,379,352.84	5,344,406.51	5,171,463.66	5,296,834.79	807,873.14	-	60,782,830.75	-
Employee Benefits	169,341,013.40	2,488,339.23	3,740,761.23	14,307,433.28	14,565,947.00	14,349,357.90	13,916,446.48	14,482,710.27	14,437,823.71	14,588,939.96	14,438,213.19	14,284,825.53	14,820,255.27	18,919,960.35	-	169,341,013.40	-
Books and Supplies	15,087,339.11	48,324.87	1,920,577.98	651,439.14	376,676.55	388,248.52	204,084.17	564,780.11	726,200.14	445,477.38	372,734.95	537,992.07	1,185,301.16	7,665,502.07	-	15,087,339.11	-
Services	68,882,430.37	297,385.54	2,680,823.80	3,287,290.26	7,468,435.36	5,199,348.24	5,708,124.77	3,793,191.79	4,831,376.14	7,122,971.89	5,679,220.79	3,652,729.63	6,305,617.18	12,855,914.98	-	68,882,430.37	-
Capital Outlay	8,555,607.14	575,643.00	2,251,282.16	1,247,628.08	108,202.64	5,812.62	928,363.66	790,458.06	357,291.83	182,942.94	306,241.10	408,591.61	409,670.90	983,478.54	-	8,555,607.14	-
Other Outgo	(490,603.76)	22,215.00	23,106.00	38,807.11	(29.49)	-	40,180.80	35,569.54	184,512.17	91,168.14	(27,719.24)	(893.31)	244,022.51	(1,141,542.99)	-	(490,603.76)	-
Interfund Transfers Out	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	2,500,000.00	94,535.42	-	2,594,535.42	-
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	537,143,202.07	7,941,453.33	18,474,869.00	44,004,393.41	48,773,907.38	45,484,463.20	47,088,732.59	45,491,891.71	45,980,236.12	48,829,469.68	46,620,042.36	43,785,383.82	51,141,511.96	43,526,847.51	-	537,143,202.07	-
D. BALANCE SHEET ITEMS																	
Assets and Deferred Outflows																	
Cash Not in Treasury	292,519.48	(34,615.12)	(29,468.53)	(79,527.46)	(312,611.53)	(370,791.22)	(37,657.30)	387,400.34	224,763.16	(36,045.92)	379,223.65	(23,978.13)	(23,150.59)	23,978.13	-	67,519.48	225,000.00
Accounts Receivable	32,097,812.12	10,128,193.32	4,306,632.15	4,284,585.35	6,414,712.77	368,866.48	(62,847.35)	(40,892.37)	486,296.04	(26,337.32)	(59,225.82)	1,625,431.25	330,953.29	4,341,444.33	-	32,097,812.12	-
Due From Other Funds	5,970,783.94	5,970,783.94	-	-	-	-	-	-	-	-	-	583.39	-	(583.39)	-	5,970,783.94	-
Stores	104,845.11	42.53	159.57	106.34	172.12	21.27	151.64	70.89	28.36	14.18	14.18	-	7.09	-	-	788.17	104,056.94
Prepaid Expenditures	19,306.00	19,306.00	-	-	-	-	-	-	-	-	-	-	-	-	-	19,306.00	-
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	38,485,266.65	16,083,710.67	4,277,323.19	4,205,164.23	6,102,273.36	(1,903.47)	(100,353.01)	346,578.86	711,087.56	(62,369.06)	320,012.01	1,602,036.51	307,809.79	4,364,839.07	-	38,156,209.71	329,056.94
Liabilities and Deferred Inflows																	
Accounts Payable	30,947,183.61	14,449,621.90	1,336,684.70	1,121.24	123,690.18	7,756,957.58	14,414.56	(49,898.12)	1,293,897.71	1,279,030.60	1,101,102.27	1,102,580.03	(105,954.17)	2,643,935.13	-	30,947,183.61	-
Due To Other Funds	1,492,129.73	1,492,129.73	-	-	-	-	-	-	-	-	-	-	-	-	-	1,492,129.73	-
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	10,438,728.82	10,438,728.82	-	-	-	-	-	-	-	-	-	-	-	-	-	10,438,728.82	-
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	42,878,042.16	26,380,480.45	1,336,684.70	1,121.24	123,690.18	7,756,957.58	14,414.56	(49,898.12)	1,293,897.71	1,279,030.60	1,101,102.27	1,102,580.03	(105,954.17)	2,643,935.13	-	42,878,042.16	-
Nonoperating																	
Suspense Clearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL BALANCE SHEET ITEMS	(4,392,775.51)	(10,296,769.78)	2,940,638.49	4,204,042.99	5,978,583.18	(7,758,861.05)	(114,767.57)	396,476.98	(582,810.15)	(1,341,399.66)	(781,090.26)	499,456.48	413,763.96	1,720,903.94	-	(4,721,832.45)	329,056.94
E. NET INCREASE/DECREASE (B - C + D)	16,875,731.76	6,335,015.79	146,516.70	4,791,360.40	(20,256,594.74)	(18,683,875.43)	(595,463.97)	44,783,449.02	(21,430,405.12)	(3,480,409.73)	24,179,429.93	(17,495,479.48)	(27,747,548.34)	46,000,679.79	-	16,546,674.82	
F. ENDING CASH (A + E)		81,057,136.62	81,203,653.32	85,995,013.72	65,738,418.98	47,054,543.55	46,459,079.58	91,242,528.60	69,812,123.48	66,331,713.75	90,511,143.68	73,015,664.20	45,268,115.86				
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS																91,268,795.65	

2020-21 Cash Flow with Deferrals

Description	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accrual	Adjustment	Total	Variance
A. BEGINNING CASH	45,268,115.86	45,268,115.86	79,905,595.63	65,424,553.52	96,999,549.23	72,349,872.58	56,747,604.36	47,749,270.32	86,114,137.38	49,455,847.12	21,265,790.38	21,324,684.22	(24,317,776.44)				
B. RECEIPTS																	
LCFF Sources																	
Principal Apportionment	316,379,901.00	14,180,714.45	14,180,714.45	33,716,689.01	25,525,286.01	25,525,286.01	33,716,689.01	25,525,286.01	11,996,884.42	12,785,954.48	4,594,551.48	4,594,551.48	8,191,403.00	101,845,891.18	-	316,379,901.00	-
Property Taxes	106,091,809.95	-	-	-	-	1,060,918.10	-	61,013,399.90	10,609.18	10,609.18	37,768,684.34	10,609.18	6,216,980.06	-	-	106,091,809.95	-
Miscellaneous Funds & LCFF Transfers	(12,975,993.20)	-	-	-	(4,067,973.87)	-	-	(2,012,576.55)	-	(774,666.79)	(1,707,640.71)	(16,868.79)	-	(4,396,266.50)	-	(12,975,993.20)	-
Federal Revenue	106,245,607.51	5,597,985.43	42,773.53	38,034,716.41	299,414.69	588,136.00	5,289,195.08	2,935,333.33	491,895.57	8,299,382.08	3,903,084.39	748,536.73	13,131,992.16	26,883,162.10	-	106,245,607.51	-
Other State Revenue	71,051,269.10	3,553,326.89	1,884,749.43	7,787,188.69	1,871,238.68	7,957,830.94	5,579,939.18	2,046,878.42	728,351.60	1,904,006.57	5,058,766.37	498,888.71	222,520.70	31,957,582.92	-	71,051,269.10	-
Other Local Revenue	7,495,450.70	958,668.14	346,289.82	112,431.76	517,935.64	407,752.52	110,932.67	387,514.80	292,322.58	244,351.69	940,679.06	200,878.08	583,895.61	2,391,798.32	-	7,495,450.70	-
Interfund Transfers in	2,191,263.00	-	-	-	-	-	-	1,291,530.41	-	-	77,351.58	-	-	822,381.00	-	2,191,263.00	-
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	596,479,308.06	24,290,694.91	16,454,527.23	79,651,025.87	24,145,901.16	35,539,923.57	44,696,755.94	91,187,366.33	13,520,063.35	22,469,637.21	50,635,476.53	6,036,595.40	28,346,791.54	159,504,549.03	-	596,479,308.06	-
C. DISBURSEMENTS																	
Certificated Salaries	217,940,394.20	1,721,729.11	3,944,721.14	19,832,575.87	21,445,334.79	20,769,719.57	21,336,364.59	20,900,483.80	20,791,513.61	21,576,099.03	21,053,042.08	20,246,662.62	20,922,277.84	3,399,870.15	-	217,940,394.20	-
Classified Salaries	63,791,520.13	2,979,063.99	4,210,240.33	5,390,383.45	5,626,412.08	5,556,241.40	5,779,511.72	5,728,478.51	5,447,795.82	5,645,549.53	5,607,274.62	5,428,658.36	5,556,241.40	835,668.91	-	63,791,520.13	-
Employee Benefits	180,006,712.43	2,646,098.67	3,978,148.34	15,210,567.20	15,480,577.27	15,246,568.54	14,796,551.76	15,390,573.91	15,354,572.57	15,516,578.61	15,354,572.57	15,192,566.53	15,750,587.34	20,088,749.11	-	180,006,712.43	-
Books and Supplies	21,930,466.60	497,821.59	3,429,924.98	1,574,607.50	804,848.12	2,353,139.07	771,952.42	1,298,283.62	2,125,062.21	767,566.33	614,053.06	1,690,838.97	1,690,838.97	4,311,529.73	-	21,930,466.60	-
Services	128,041,608.05	8,469,961.50	9,250,341.88	10,903,821.10	15,060,698.76	11,560,576.86	15,023,385.37	9,140,782.51	6,251,057.14	7,008,257.91	7,757,732.13	8,893,533.28	8,901,029.31	9,820,430.31	-	128,041,608.05	-
Capital Outlay	3,074,005.04	206,880.54	808,770.73	448,189.93	38,732.46	2,151.80	333,529.55	284,038.07	128,493.41	65,783.71	110,049.38	146,937.44	147,244.84	353,203.18	-	3,074,005.04	-
Other Outgo	(490,793.76)	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	89,538.71	(1,458,779.76)	-	(490,793.76)	-
Interfund Transfers Out	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	2,594,535.42	-	2,594,535.42	-
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	616,888,448.11	16,601,414.25	25,702,006.23	53,440,003.90	58,536,462.32	55,568,256.09	58,121,154.27	52,822,499.26	50,178,353.61	50,659,693.96	50,576,582.69	51,679,056.05	53,057,758.41	39,945,207.06	-	616,888,448.11	-
D. BALANCE SHEET ITEMS																	
Assets and Deferred Outflows																	
Cash Not in Treasury	23,978.13	(201,021.87)	-	-	-	-	-	-	-	-	-	-	-	-	-	(201,021.87)	225,000.00
Accounts Receivable	91,325,658.65	48,181,823.89	8,128,548.58	8,128,548.58	12,505,459.35	7,190,639.13	7,190,639.13	-	-	-	-	-	-	-	-	91,325,658.65	-
Due From Other Funds	821,825.65	821,825.65	-	-	-	-	-	-	-	-	-	-	-	-	-	821,825.65	-
Stores	-	(104,056.94)	-	-	-	-	-	-	-	-	-	-	-	-	-	(104,056.94)	104,056.94
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	92,171,462.43	48,698,570.73	8,128,548.58	8,128,548.58	12,505,459.35	7,190,639.13	7,190,639.13	-	-	-	-	-	-	-	-	91,842,405.49	329,056.94
Liabilities and Deferred Inflows																	
Accounts Payable	46,076,247.22	21,655,836.19	13,362,111.69	2,764,574.83	2,764,574.83	2,764,574.83	2,764,574.83	-	-	-	-	-	-	-	-	46,076,247.22	-
Due To Other Funds	94,535.42	94,535.42	-	-	-	-	-	-	-	-	-	-	-	-	-	94,535.42	-
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	46,170,782.64	21,750,371.61	13,362,111.69	2,764,574.83	2,764,574.83	2,764,574.83	2,764,574.83	-	-	-	-	-	-	-	-	46,170,782.64	-
Nonoperating																	
Suspense Clearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL BALANCE SHEET ITEMS	46,000,679.79	26,948,199.12	(5,233,563.12)	5,363,973.74	9,740,884.52	4,426,064.29	4,426,064.29	-	-	-	-	-	-	-	-	45,671,622.85	329,056.94
E. NET INCREASE/DECREASE (B - C + D)	25,591,539.74	34,637,479.77	(14,481,042.12)	31,574,995.71	(24,649,676.65)	(15,602,268.23)	(8,998,334.04)	38,364,867.06	(36,658,290.26)	(28,190,056.74)	58,893.84	(45,642,460.65)	(24,710,966.88)	119,559,341.98	-	25,262,482.80	
F. ENDING CASH (A + E)		79,905,595.63	65,424,553.52	96,999,549.23	72,349,872.58	56,747,604.36	47,749,270.32	86,114,137.38	49,455,847.12	21,265,790.38	21,324,684.22	(24,317,776.44)	(49,028,743.32)				
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS																70,530,598.66	

2021-22 Cash Flow with Deferrals

Description	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accrual	Adjustment	Total	Variance
A. BEGINNING CASH	(49,028,743.32)	(49,028,743.32)	(15,498,918.81)	1,916,911.22	20,553,739.91	23,157,225.77	28,030,385.28	19,707,382.04	58,390,356.92	22,815,142.35	(10,116,865.99)	(10,229,651.23)	(54,983,144.32)				
B. RECEIPTS																	
LCFF Sources																	
Principal Apportionment	316,402,868.00	14,181,862.80	14,181,862.80	33,718,756.04	25,527,353.04	25,527,353.04	33,718,756.04	25,527,353.04	11,997,855.93	12,786,326.55	4,594,923.55	4,594,923.55	8,191,403.00	101,854,138.63	-	316,402,868.00	-
Property Taxes	106,091,809.95	-	-	-	-	1,060,918.10	-	61,013,399.90	10,609.18	10,609.18	37,768,684.34	10,609.18	6,216,980.06	-	-	106,091,809.95	-
Miscellaneous Funds & LCFF Transfers	(12,975,993.20)	-	-	-	(4,067,973.87)	-	-	(2,012,576.55)	-	(774,666.79)	(1,707,640.71)	(16,868.79)	-	(4,396,266.50)	-	(12,975,993.20)	-
Federal Revenue	41,218,220.48	4,315,547.68	32,974.58	41,218.22	230,822.03	453,400.43	465,765.89	2,262,880.30	379,207.63	2,786,351.70	3,008,930.10	577,055.09	5,939,545.57	20,724,521.26	-	41,218,220.48	-
Other State Revenue	67,419,749.10	3,546,278.80	1,881,011.00	4,281,154.07	1,867,527.05	7,942,046.44	5,568,871.28	2,042,818.40	724,385.37	1,896,328.71	5,044,831.00	493,997.93	217,321.74	31,913,177.31	-	67,419,749.10	-
Other Local Revenue	7,283,142.70	931,513.95	336,481.19	109,247.14	503,265.16	396,202.96	107,790.51	376,538.48	284,042.57	237,430.45	914,034.41	195,188.22	567,356.82	2,324,050.84	-	7,283,142.70	-
Interfund Transfers in	2,191,263.00	-	-	-	-	-	-	1,291,530.41	-	-	77,351.58	-	-	822,381.00	-	2,191,263.00	-
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	527,631,060.03	22,975,203.24	16,432,329.57	38,150,375.47	24,060,993.42	35,379,920.97	39,861,183.72	90,501,943.99	13,396,100.68	16,942,379.80	49,701,114.27	5,854,905.18	21,132,607.19	153,242,002.54	-	527,631,060.03	-
C. DISBURSEMENTS																	
Certificated Salaries	218,727,922.54	1,727,950.59	3,958,975.40	19,904,240.95	21,522,827.58	20,844,771.02	21,413,463.62	20,976,007.77	20,866,643.81	21,654,064.33	21,129,117.32	20,319,824.00	20,997,880.56	3,412,155.59	-	218,727,922.54	-
Classified Salaries	64,155,131.87	2,996,044.66	4,234,238.70	5,421,108.64	5,658,482.63	5,587,911.99	5,812,454.95	5,761,130.84	5,478,848.26	5,677,729.17	5,639,236.09	5,459,601.72	5,587,911.99	840,432.23	-	64,155,131.87	-
Employee Benefits	189,634,091.70	2,787,621.15	4,190,913.43	16,024,080.75	16,308,531.89	16,062,007.57	15,587,922.34	16,213,714.84	16,175,788.02	16,346,458.70	16,175,788.02	16,005,117.34	16,592,983.02	21,163,164.63	-	189,634,091.70	-
Books and Supplies	15,920,094.46	361,386.14	2,489,902.77	1,143,062.78	584,267.47	1,708,226.14	560,387.32	942,469.59	1,542,657.15	557,203.31	445,762.64	1,227,439.28	1,227,439.28	3,129,890.57	-	15,920,094.46	-
Services	78,317,604.69	1,589,847.38	2,380,855.18	4,056,851.92	8,270,339.06	4,722,551.56	8,239,012.01	7,682,957.02	4,753,878.60	5,521,391.13	6,281,071.90	7,432,340.69	7,432,340.69	9,954,167.56	-	78,317,604.69	-
Capital Outlay	1,762,641.41	118,625.77	463,750.95	256,993.12	22,209.28	1,233.85	191,246.59	162,868.07	73,678.41	37,720.53	63,102.56	84,254.26	84,430.52	202,527.50	-	1,762,641.41	-
Other Outgo	(491,252.76)	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	89,496.25	(1,458,779.76)	-	(491,252.76)	-
Interfund Transfers Out	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	2,594,535.42	-	2,594,535.42	-
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	570,620,769.33	9,661,296.66	17,798,457.42	46,886,159.14	52,446,478.88	49,006,523.10	51,884,307.81	51,818,969.11	48,971,315.24	49,874,388.15	49,813,899.51	50,608,398.27	52,012,482.31	39,838,093.74	-	570,620,769.33	-
D. BALANCE SHEET ITEMS																	
Assets and Deferred Outflows																	
Cash Not in Treasury	225,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225,000.00
Accounts Receivable	158,682,168.03	39,542,888.02	29,613,652.66	29,613,652.66	33,230,011.62	20,740,801.93	5,941,161.15	-	-	-	-	-	-	-	-	158,682,168.03	-
Due From Other Funds	822,381.00	822,381.00	-	-	-	-	-	-	-	-	-	-	-	-	-	822,381.00	-
Stores	104,056.94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,056.94
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	159,833,605.97	40,365,269.02	29,613,652.66	29,613,652.66	33,230,011.62	20,740,801.93	5,941,161.15	-	-	-	-	-	-	-	-	159,504,549.03	329,056.94
Liabilities and Deferred Inflows																	
Accounts Payable	37,350,671.64	17,554,815.67	10,831,694.78	2,241,040.30	2,241,040.30	2,241,040.30	2,241,040.30	-	-	-	-	-	-	-	-	37,350,671.64	-
Due To Other Funds	2,594,535.42	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	-	2,594,535.42	-
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	39,945,207.06	20,149,351.09	10,831,694.78	2,241,040.30	2,241,040.30	2,241,040.30	2,241,040.30	-	-	-	-	-	-	-	-	39,945,207.06	-
Nonoperating																	
Suspense Clearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL BALANCE SHEET ITEMS	119,888,398.91	20,215,917.93	18,781,957.88	27,372,612.36	30,988,971.32	18,499,761.63	3,700,120.85	-	-	-	-	-	-	-	-	119,559,341.97	329,056.94
E. NET INCREASE/DECREASE (B - C + D)	76,898,689.61	33,529,824.51	17,415,830.03	18,636,828.68	2,603,485.86	4,873,159.51	(8,323,003.24)	38,682,974.88	(35,575,214.56)	(32,932,008.34)	(112,785.24)	(44,753,493.09)	(30,879,875.13)	113,403,908.80	-	76,569,632.67	
F. ENDING CASH (A + E)		(15,498,918.81)	1,916,911.22	20,553,739.91	23,157,225.77	28,030,385.28	19,707,382.04	58,390,356.92	22,815,142.35	(10,116,865.99)	(10,229,651.23)	(54,983,144.32)	(85,863,019.45)				
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS																27,540,889.35	

Pursuant to Education Code Section 14041.8, for the 2020-21 fiscal year only, school districts and charter schools may receive an exemption from the principal apportionment deferrals if certain criteria are met. These criteria include a certification from the county superintendent to the SPI and Department of Finance that indicates the LEA has exhausted its internal and external borrowing options, will be unable to meet its financial obligations and would require a state loan without an exemption. FCMAT prepared the following additional cash flow projection for 2020-21 and 2021-22, which assumes that the district is exempt from all 2020-21 deferrals and that the deferrals end in 2021-22 or that the state provides further exemptions. However, the state budget provides a limited amount of funds on a first-come basis for deferral exemptions; therefore, it is unknown if the district will receive these exemptions.

Because of its projected cash shortfalls without apportionment deferral exemptions, the district should take immediate action to identify internal and external borrowing options, including those pursuant to Education Code Sections 42603, 42620, 42621 and 42622, as well as Tax and Revenue Anticipation Notes (TRANs), and apply for a deferral exemption as soon as the application is available.

2020-21 Cash Flow - NO Deferrals

Description	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accrual	Adjustment	Total	Variance
A. BEGINNING CASH	45,268,115.86	45,268,115.86	79,905,595.63	65,424,553.52	96,999,549.23	72,349,872.58	56,747,604.36	47,749,270.32	86,114,137.38	64,255,487.91	58,962,988.60	81,919,439.88	59,174,536.66				
B. RECEIPTS																	
LCFF Sources																	
Principal Apportionment	316,379,901.00	14,180,714.45	14,180,714.45	33,716,689.01	25,525,286.01	25,525,286.01	33,716,689.01	25,525,286.01	25,525,286.01	33,716,689.01	25,525,286.01	25,525,286.01	33,716,689.01	-	-	316,379,901.00	-
Property Taxes	106,091,809.95	-	-	-	-	1,060,918.10	-	61,013,399.90	10,609.18	10,609.18	37,768,684.34	10,609.18	6,216,980.06	-	-	106,091,809.95	-
Miscellaneous Funds & LCFF Transfers	(12,975,993.20)	-	-	-	(4,067,973.87)	-	-	(2,012,576.55)	-	(774,666.79)	(1,707,640.71)	(16,868.79)	-	(4,396,266.50)	-	(12,975,993.20)	-
Federal Revenue	106,245,607.51	5,597,985.43	42,773.53	38,034,716.41	299,414.69	588,136.00	5,289,195.08	2,935,333.33	491,895.57	8,299,382.08	3,903,084.39	748,536.73	13,131,992.16	26,883,162.10	-	106,245,607.51	-
Other State Revenue	71,051,269.10	3,553,326.89	1,884,749.43	7,787,188.69	1,871,238.68	7,957,830.94	5,579,939.18	2,046,878.42	1,999,590.80	3,870,829.48	7,025,589.28	2,465,711.62	2,621,085.23	22,387,310.46	-	71,051,269.10	-
Other Local Revenue	7,495,450.70	958,668.14	346,289.82	112,431.76	517,935.64	407,752.52	110,932.67	387,514.80	292,322.58	244,351.69	940,679.06	200,878.08	583,895.61	2,391,798.32	-	7,495,450.70	-
Interfund Transfers in	2,191,263.00	-	-	-	-	-	-	1,291,530.41	-	-	77,351.58	-	-	822,381.00	-	2,191,263.00	-
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	596,479,308.06	24,290,694.91	16,454,527.23	79,651,025.87	24,145,901.16	35,539,923.57	44,696,755.94	91,187,366.33	28,319,704.13	45,367,194.65	73,533,033.97	28,934,152.83	56,270,642.08	48,088,385.39	-	596,479,308.06	-
C. DISBURSEMENTS																	
Certificated Salaries	217,940,394.20	1,721,729.11	3,944,721.14	19,832,575.87	21,445,334.79	20,769,719.57	21,336,364.59	20,900,483.80	20,791,513.61	21,576,099.03	21,053,042.08	20,246,662.62	20,922,277.84	3,399,870.15	-	217,940,394.20	-
Classified Salaries	63,791,520.13	2,979,063.99	4,210,240.33	5,390,383.45	5,626,412.08	5,556,241.40	5,779,511.72	5,728,478.51	5,447,795.82	5,645,549.53	5,607,274.62	5,428,658.36	5,556,241.40	835,668.91	-	63,791,520.13	-
Employee Benefits	180,006,712.43	2,646,098.67	3,978,148.34	15,210,567.20	15,480,577.27	15,246,568.54	14,796,551.76	15,390,573.91	15,354,572.57	15,516,578.61	15,354,572.57	15,192,566.53	15,750,587.34	20,088,749.11	-	180,006,712.43	-
Books and Supplies	21,930,466.60	497,821.59	3,429,924.98	1,574,607.50	804,848.12	2,353,139.07	771,952.42	1,298,283.62	2,125,062.21	767,566.33	614,053.06	1,690,838.97	1,690,838.97	4,311,529.73	-	21,930,466.60	-
Services	128,041,608.05	8,469,961.50	9,250,341.88	10,903,821.10	15,060,698.76	11,560,576.86	15,023,385.37	9,140,782.51	6,251,057.14	7,008,257.91	7,757,732.13	8,893,533.28	8,901,029.31	9,820,430.31	-	128,041,608.05	-
Capital Outlay	3,074,005.04	206,880.54	808,770.73	448,189.93	38,732.46	2,151.80	333,529.55	284,038.07	128,493.41	65,783.71	110,049.38	146,937.44	147,244.84	353,203.18	-	3,074,005.04	-
Other Outgo	(490,793.76)	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	79,858.85	89,538.71	(1,458,779.76)	-	(490,793.76)	-
Interfund Transfers Out	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	2,594,535.42	-	2,594,535.42	-
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	616,888,448.11	16,601,414.25	25,702,006.23	53,440,003.90	58,536,462.32	55,568,256.09	58,121,154.27	52,822,499.26	50,178,353.61	50,659,693.96	50,576,582.69	51,679,056.05	53,057,758.41	39,945,207.06	-	616,888,448.11	-
D. BALANCE SHEET ITEMS																	
Assets and Deferred Outflows																	
Cash Not in Treasury	23,978.13	(201,021.87)	-	-	-	-	-	-	-	-	-	-	-	-	-	(201,021.87)	225,000.00
Accounts Receivable	91,325,658.65	48,181,823.89	8,128,548.58	8,128,548.58	12,505,459.35	7,190,639.13	7,190,639.13	-	-	-	-	-	-	-	-	91,325,658.65	-
Due From Other Funds	821,825.65	821,825.65	-	-	-	-	-	-	-	-	-	-	-	-	-	821,825.65	-
Stores	-	(104,056.94)	-	-	-	-	-	-	-	-	-	-	-	-	-	(104,056.94)	104,056.94
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	92,171,462.43	48,698,570.73	8,128,548.58	8,128,548.58	12,505,459.35	7,190,639.13	7,190,639.13	-	-	-	-	-	-	-	-	91,842,405.49	329,056.94
Liabilities and Deferred Inflows																	
Accounts Payable	46,076,247.22	21,655,836.19	13,362,111.69	2,764,574.83	2,764,574.83	2,764,574.83	2,764,574.83	-	-	-	-	-	-	-	-	46,076,247.22	-
Due To Other Funds	94,535.42	94,535.42	-	-	-	-	-	-	-	-	-	-	-	-	-	94,535.42	-
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	46,170,782.64	21,750,371.61	13,362,111.69	2,764,574.83	2,764,574.83	2,764,574.83	2,764,574.83	-	-	-	-	-	-	-	-	46,170,782.64	-
Nonoperating																	
Suspense Clearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL BALANCE SHEET ITEMS	46,000,679.79	26,948,199.12	(5,233,563.12)	5,363,973.74	9,740,884.52	4,426,064.29	4,426,064.29	-	-	-	-	-	-	-	-	45,671,622.85	329,056.94
E. NET INCREASE/DECREASE (B - C + D)	25,591,539.74	34,637,479.77	(14,481,042.12)	31,574,995.71	(24,649,676.65)	(15,602,268.23)	(8,998,334.04)	38,364,867.06	(21,858,649.48)	(5,292,499.31)	22,956,451.28	(22,744,903.22)	3,212,883.66	8,143,178.34	-	25,262,482.80	
F. ENDING CASH (A + E)		79,905,595.63	65,424,553.52	96,999,549.23	72,349,872.58	56,747,604.36	47,749,270.32	86,114,137.38	64,255,487.91	58,962,988.60	81,919,439.88	59,174,536.66	62,387,420.32				
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS																70,530,598.66	

2021-22 Cash Flow - NO Deferrals

Description	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accrual	Adjustm
A. BEGINNING CASH	62,387,420.32	62,387,420.32	67,993,394.29	62,511,666.88	58,250,938.13	37,956,866.55	28,030,385.28	19,707,382.04	58,390,356.92	37,615,878.66	27,583,122.72	50,369,589.88	28,515,349.20		
B. RECEIPTS															
LCFF Sources															
Principal Apportionment	316,402,868.00	14,181,862.80	14,181,862.80	33,718,756.04	25,527,353.04	25,527,353.04	33,718,756.04	25,527,353.04	25,527,353.04	33,718,756.04	25,527,353.04	25,527,353.04	33,718,756.04	-	
Property Taxes	106,091,809.95	-	-	-	-	1,060,918.10	-	61,013,399.90	10,609.18	10,609.18	37,768,684.34	10,609.18	6,216,980.06	-	
Miscellaneous Funds & LCFF Transfers	(12,975,993.20)	-	-	-	(4,067,973.87)	-	-	(2,012,576.55)	-	(774,666.79)	(1,707,640.71)	(16,868.79)	-	(4,396,266.50)	
Federal Revenue	41,218,220.48	4,315,547.68	32,974.58	41,218.22	230,822.03	453,400.43	465,765.89	2,262,880.30	379,207.63	2,786,351.70	3,008,930.10	577,055.09	5,939,545.57	20,724,521.26	
Other State Revenue	67,419,749.10	3,546,278.80	1,881,011.00	4,281,154.07	1,867,527.05	7,942,046.44	5,568,871.28	2,042,818.40	1,995,624.57	3,863,151.62	7,011,653.91	2,460,820.84	2,615,886.27	22,342,904.85	
Other Local Revenue	7,283,142.70	931,513.95	336,481.19	109,247.14	503,265.16	396,202.96	107,790.51	376,538.48	284,042.57	237,430.45	914,034.41	195,188.22	567,356.82	2,324,050.84	
Interfund Transfers in	2,191,263.00	-	-	-	-	-	-	1,291,530.41	-	-	77,351.58	-	-	822,381.00	
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL RECEIPTS	527,631,060.03	22,975,203.24	16,432,329.57	38,150,375.47	24,060,993.42	35,379,920.97	39,861,183.72	90,501,943.99	28,196,836.99	39,841,632.21	72,600,366.67	28,754,157.58	49,058,524.76	41,817,591.45	
C. DISBURSEMENTS															
Certificated Salaries	218,727,922.54	1,727,950.59	3,958,975.40	19,904,240.95	21,522,827.58	20,844,771.02	21,413,463.62	20,976,007.77	20,866,643.81	21,654,064.33	21,129,117.32	20,319,824.00	20,997,880.56	3,412,155.59	
Classified Salaries	64,155,131.87	2,996,044.66	4,234,238.70	5,421,108.64	5,658,482.63	5,587,911.99	5,812,454.95	5,761,130.84	5,478,848.26	5,677,729.17	5,639,236.09	5,459,601.72	5,587,911.99	840,432.23	
Employee Benefits	189,634,091.70	2,787,621.15	4,190,913.43	16,024,080.75	16,308,531.89	16,062,007.57	15,587,922.34	16,213,714.84	16,175,788.02	16,346,458.70	16,175,788.02	16,005,117.34	16,592,983.02	21,163,164.63	
Books and Supplies	15,920,094.46	361,386.14	2,489,902.77	1,143,062.78	584,267.47	1,708,226.14	560,387.32	942,469.59	1,542,657.15	557,203.31	445,762.64	1,227,439.28	1,227,439.28	3,129,890.57	
Services	78,317,604.69	1,589,847.38	2,380,855.18	4,056,851.92	8,270,339.06	4,722,551.56	8,239,012.01	7,682,957.02	4,753,878.60	5,521,391.13	6,281,071.90	7,432,340.69	7,432,340.69	9,954,167.56	
Capital Outlay	1,762,641.41	118,625.77	463,750.95	256,993.12	22,209.28	1,233.85	191,246.59	162,868.07	73,678.41	37,720.53	63,102.56	84,254.26	84,430.52	202,527.50	
Other Outgo	(491,252.76)	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	79,820.98	89,496.25	(1,458,779.76)	
Interfund Transfers Out	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	2,594,535.42	
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL DISBURSEMENTS	570,620,769.33	9,661,296.66	17,798,457.42	46,886,159.14	52,446,478.88	49,006,523.10	51,884,307.81	51,818,969.11	48,971,315.24	49,874,388.15	49,813,899.51	50,608,398.27	52,012,482.31	39,838,093.74	
D. BALANCE SHEET ITEMS															
Assets and Deferred Outflows															
Cash Not in Treasury	225,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accounts Receivable	47,266,004.39	11,619,037.48	6,716,095.22	6,716,095.22	10,332,454.18	5,941,161.15	5,941,161.15	-	-	-	-	-	-	-	
Due From Other Funds	822,381.00	822,381.00	-	-	-	-	-	-	-	-	-	-	-	-	
Stores	104,056.94	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SUBTOTAL	48,417,442.33	12,441,418.48	6,716,095.22	6,716,095.22	10,332,454.18	5,941,161.15	5,941,161.15	-	-	-	-	-	-	-	
Liabilities and Deferred Inflows															
Accounts Payable	37,350,671.64	17,554,815.67	10,831,694.78	2,241,040.30	2,241,040.30	2,241,040.30	2,241,040.30	-	-	-	-	-	-	-	
Due To Other Funds	2,594,535.42	2,594,535.42	-	-	-	-	-	-	-	-	-	-	-	-	
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SUBTOTAL	39,945,207.06	20,149,351.09	10,831,694.78	2,241,040.30	2,241,040.30	2,241,040.30	2,241,040.30	-	-	-	-	-	-	-	
Nonoperating															
Suspense Clearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL BALANCE SHEET ITEMS	8,472,235.27	(7,707,932.61)	(4,115,599.56)	4,475,054.92	8,091,413.88	3,700,120.85	3,700,120.85	-	-	-	-	-	-	-	
E. NET INCREASE/DECREASE (B - C + D)	(34,517,474.03)	5,605,973.97	(5,481,727.41)	(4,260,728.76)	(20,294,071.58)	(9,926,481.27)	(8,323,003.24)	38,682,974.88	(20,774,478.25)	(10,032,755.94)	22,786,467.16	(21,854,240.69)	(2,953,957.56)	1,979,497.71	
F. ENDING CASH (A + E)		67,993,394.29	62,511,666.88	58,250,938.13	37,956,866.55	28,030,385.28	19,707,382.04	58,390,356.92	37,615,878.66	27,583,122.72	50,369,589.88	28,515,349.20	25,561,391.64		
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS															

Other Items to Consider

Indirect Costs

Beginning in 2021-22, indirect costs can no longer be applied to food expenses (object code 4700). Based on the projected food costs for the cafeteria fund, as shown in the 2019-20 second interim report, indirect costs paid to the unrestricted general fund may be reduced by more than $400,000 per year.

Class Size

Education Code Section 41376 prescribes maximum class sizes and penalties. For grades four through eight, the average number of students per teacher is not to exceed the greater of 29.9 – the statewide average in 1964 – or the district's 1964 average. Based on information from CDE, the district's average number of students per teacher in 1964 was 32.8. The district's 2018-19 and 2019-20 Class Size Penalties reports show the average number of students per teacher in fourth through eighth grade was 22.5 and 21.3, respectively. These averages are well below the state limit and those shown in the certificated collective bargaining agreement, which requires maximum class sizes not to exceed 33 students per teacher for grades four to six and 31 students per teacher for grades seven to eight.

Independent Charter Schools

In addition to the district-operated charter schools, the district has authorized ten independently operated charter schools. A review of the documents provided for these charter schools showed that Aspire Capitol Heights' 2019-20 first interim report projected deficit spending in each year of the projection and a negative fund balance in 2021-22. Education Code Section 47604.32 requires districts that authorize charter schools to perform fiscal and operational oversight functions. To ensure the charter schools it has authorized are fiscally solvent and avoid possible fiscal responsibility for a charter school in fiscal distress, the district should ensure it fulfills and has evidence showing fulfillment of its oversight responsibilities.

Recommendations

The district should:

1. Adopt a budget and MYFPs that eliminate deficit spending and ensure it does not use one-time revenues, including reserves, for ongoing costs.
2. Adopt a budget and MYFPs that include a reserve level sufficient to ensure that cash is available to meet payroll and other expenditure obligations and to avoid any adverse effects related to the requirements of AB 1200 and AB 2756.
3. Ensure that MYFPs and cash flow projections are kept up to date and based on the most current budget assumptions available.
4. Monitor and project enrollment and ADA at each reporting period, at a minimum.
5. Ensure it uses the most recently updated LCFF calculator available as well as accurate and current enrollment, ADA, and UPP projections to update budgets and MYFPs.
6. Monitor and project revenue and expenditures using the most current information and assumptions available. Update revenue budgets throughout the year as award amounts become known, ensuring budgets match information provided by the CDE and award letters.

7. Ensure unearned revenues received in the prior year are included in current year budgets upon completion of the unaudited actuals and eliminated from the subsequent two years of the projection.
8. Review all budgets monthly and make adjustments as necessary to minimize variances between budgeted and actual expenditures at year end.
9. Develop and implement procedures to update position control and reconcile it to budget and payroll on a periodic basis, and no less than at each financial reporting period.
10. If not actively recruiting for positions listed as vacant in position control, determine if they should be frozen or eliminated and ensure they are not included in the budget and MYFP, where applicable.
11. Annually perform a review of the actual historical costs for employee step and column increases to determine if the percentage applied for forecasting should be updated.
12. Ensure that information is consistently presented in budget documents and report narratives and that any variances are explained.
13. Regularly complete a reconciliation of the employee benefit databases and the general ledger.
14. Closely monitor the costs of and contributions for OPEB to ensure a sufficient amount is budgeted to cover the annual pay-as-you-go cost, at a minimum, and to ensure that the unfunded liability does not continue to grow.
15. Review the spreadsheet used to project special education expenses and ensure it includes the unaudited actuals, rather than estimated actuals, after the books are closed each year.
16. Identify programs that may require a contribution from the unrestricted general fund in subsequent years and take any necessary action to ensure programs are self-sustaining.
17. Ensure it eliminates positions that are paid from grant funds when the funds expire, or ensure it proactively determines how the positions will continue to be funded.
18. Ensure that restricted funds are appropriately allocated to all qualifying expenditures before expending unrestricted dollars.
19. Review contributions to other funds and ensure that all funds are self-sustaining.
20. Ensure that prior year ending balances are not also budgeted as revenue in the current year.
21. Include in-lieu property tax transfers in charter school LCFF calculations.
22. Continue to evaluate its ongoing and planned construction project costs to ensure general obligation bond funds are issued timely.
23. Review and update its developer fee justification report as necessary to ensure it can collect the maximum allowable fees.
24. Complete a study to determine its projected annual RDA revenues.
25. Investigate and clear prior year balance sheet transactions as soon as possible each fiscal year.
26. Monitor its cash regularly and complete monthly cash flow projections for the budget year and at least one subsequent fiscal year.

27. Take immediate action to identify all internal and external borrowing options and apply for a state apportionment deferral exemption as soon as the application is available.
28. Analyze the effect of no longer being able to charge indirect costs to food expenses, as of 2021-22.
29. Review its class sizes and make adjustments as necessary to ensure fiscal solvency.
30. Ensure it fulfills and has evidence showing fulfillment of its charter school oversight responsibilities.

Based on the assumptions used in FCMAT's analysis, an emergency appropriation will likely be necessary in 2020-21 if internal and external borrowing options are not available and/or the district does not receive apportionment deferral exemptions. Furthermore, even if borrowing options are available and/or deferral exemptions are received in 2020-21, without substantial corrective action an emergency appropriation is likely needed in 2021-22.

FCMAT appreciates the opportunity to serve the Sacramento City Unified School District and extends thanks to all the staff for their assistance during this review.

Sincerely,

Diane Branham

Diane Branham
Chief Analyst