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

Butte County Office of Education

Pioneer Union Elementary School District

Organizational Review and Multiyear Financial Projection

June 22, 2012

Joel D. Montero
Chief Executive Officer

June 22, 2012

Don McNelis, Superintendent
Butte County Office of Education
1859 Bird Street
Oroville, CA 95965

Dear Superintendent McNelis:

In March 2012, the Butte County Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the Pioneer Union Elementary School District's multiyear financial projections and staffing. Specifically, the agreement states that FCMAT will perform the following:

1. The Butte County Office of Education is requesting that the FCMAT Team conduct an organizational and staffing review of a direct service district, (Pioneer Union Elementary School District) that will include but not be limited to the district's central office departments and workflow. The review will consist of the following departments: Superintendent's Office, Curriculum & Instruction, Business Services, Personnel, Food Service, Technology and Maintenance\ Operations.

2. The Team will provide comparative staffing data for direct service districts of similar size and structure and provide recommendations to improve the efficiency that may reduce costs of the district. The district comparison will include at least six comparable direct service school districts and may include comparable school districts utilized in the collective bargaining process by the district.

3. The Team will review job descriptions for all department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated and calculated values for any proposed position reductions or enhancements to the organizational structure.

4. The Team will evaluate the current work flow of the central office and provide recommendations for improved efficiency, if any.

5. The COE requests that the FCMAT Team complete a multiyear financial projection and cash flow analysis using the 2011-12 2nd Interim Financial Report as the base line document for the direct service district. The MYFP will include an addi-

tional scenario that includes budget assumptions with no changes to the current operations to assist the district and COE in evaluating the financial solvency and sustainability of the district's operations for the current and two subsequent fiscal years.

This final report contains the study team's findings and recommendations in the above areas of review. We appreciate the opportunity to serve the Butte COE and the Pioneer Union Elementary School District and extend our thanks to all the staff for their assistance during fieldwork.

Sincerely,

Joel D. Montero
Chief Executive Officer

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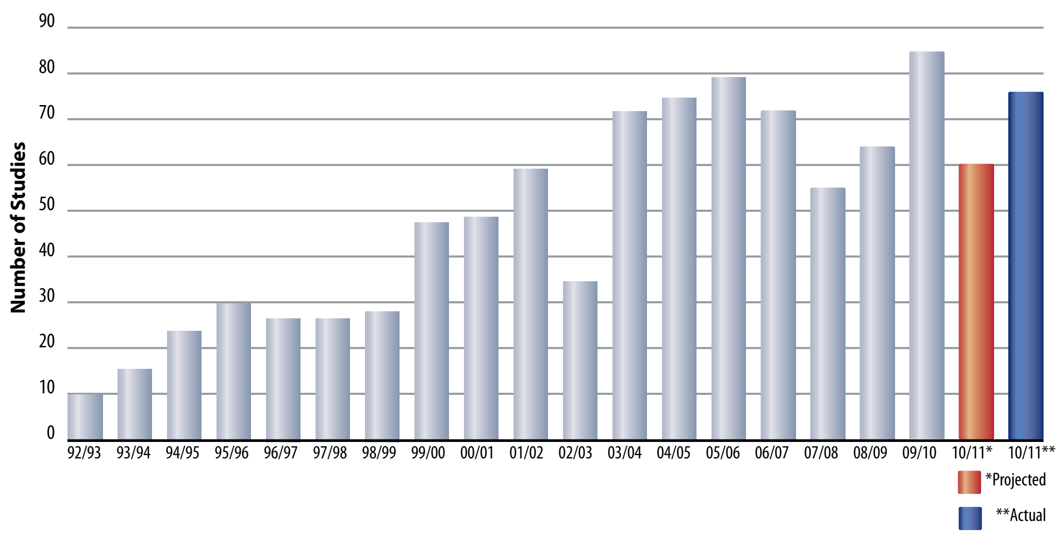
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices and efficient operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and share information.

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

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

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help local educational agencies operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) arm of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and also maintains DataGate, the FCMAT/CSIS software LEAs use for CSIS services. FCMAT was created by Assembly Bill 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. Assembly Bill 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. Assembly Bill 1115 in 1999 codified CSIS' mission.

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

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

Since 1992, FCMAT has been engaged to perform nearly 850 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

The Pioneer Union Elementary School District is situated on a 26-acre rural campus in the foothills 22 miles from Oroville, California. The district was created in 1962 when Berry Creek School and Bald Rock School were consolidated. The district provides a K-8 educational program, and the Butte County Office of Education provides a preschool program and after-school program. The district serves approximately 65 students at the Berry Creek Elementary School site.

Pioneer UESD is considered a direct-services district, which means that the Butte County Office of Education provides the district with fiscal reporting, budget development, payroll, and accounts payable services in addition to traditional county office oversight and support services.

Although the district has experienced a significant decline in enrollment and a transient student population, it has had little staff turnover; most employees have more than 16 years of service with the district. The superintendent/principal was formerly a teacher in the district, and the current governing board president is a former superintendent of the district. Staff expressed a deep connection and loyalty to the students, staff, and community of Berry Creek.

In March 2012, the Butte County Office of Education requested that FCMAT assist the district by reviewing the Pioneer Union Elementary School District's staffing, services and multiyear financial projections. The study agreement specifies that FCMAT will perform the following.

1. The Butte County Office of Education is requesting that the FCMAT Team conduct an organizational and staffing review of a direct-service district, (Pioneer Union Elementary School District) that will include but not be limited to the district's central office departments and workflow. The review will consist of the following departments: Superintendent's Office, Curriculum & Instruction, Business Services, Personnel, Food Service, Technology and Maintenance\Operations.

2. The Team will provide comparative staffing data for direct-service districts of similar size and structure and provide recommendations to improve the efficiency that may reduce costs of the district. The district comparison will include at least six comparable direct-service school districts and may include comparable school districts utilized in the collective bargaining process by the district.

3. The Team will review job descriptions for all department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated and calculated values for any proposed position reductions or enhancements to the organizational structure.

4. The Team will evaluate the current work flow of the central office and provide recommendations for improved efficiency, if any.

5. The COE requests that the FCMAT Team complete a multiyear financial projection and cash flow analysis using the 2011-12 2nd Interim Financial

Report as the base line document for the direct service district. The MYFP will include an additional scenario that includes budget assumptions with no changes to the current operations to assist the district and COE in evaluating the financial solvency and sustainability of the district's operations for the current and two subsequent fiscal years.

Study Guidelines

FCMAT visited the district on April 18 and 19, 2012 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

I. Executive Summary

II. District Office Operations

III. Staffing Comparison

IV. Job Descriptions and Classifications

V. Conflicts of Interest, Audit Findings, and Facilities Issues

VI. Multiyear Financial Projections

VII. Appendix

Study Team

The study team was composed of the following members:

John F. Von Flue
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Executive Summary

Organizational Workflow

FCMAT's interviews with county office and district staff, on-site observations, document reviews, and correspondence during this study revealed several areas of concern and opportunities for the district to improve. Although the district's board, administration, and staff stated that the district's priority is student achievement with the goal of becoming a distinguished school, the district's actions do not indicate efforts toward that objective. The district's resources are not aligned to promote student instruction and give priority to classroom support. In fiscal year 2010-11, only 43.78% of the district's budget was allocated to direct instruction. The superintendent is the instructional leader for the district yet provides no identifiable curriculum and instruction support. In addition, FCMAT identified a lack of communication and accessibility on the part of the district's administration.

The Butte County Office of Education (COE) provides direct fiscal services and serves as a significant resource to the district, yet the district does not interact successfully to fully benefit from this relationship. The district does not attend monthly business support meetings organized by the COE, does not fully prepare for COE audits and budget meetings, and is slow to respond to inquiries and requests from the COE. The district should align its resources to its priorities for student achievement and take full advantage of resources available from the COE.

Staffing

A staffing comparison with other California school districts with similar average daily attendance (ADA) indicated that Pioneer Union Elementary School District has a high student-to-teacher ratio and a low student-to-administrator ratio. The district's ratios are the converse of what would be expected in a district in which the priority is student achievement. The district employs four management and confidential positions that do not meet the government code requirements for such a classification. In addition, the job descriptions for these positions are not complete and do not accurately indicate the level of responsibility and duties of the current positions. The district should identify its staffing needs, review both the numbers and classifications of its current staffing, and make adjustments as needed to better align staffing with best practices.

Multiyear Financial Projection

Assembly Bill (AB) 1200 and AB 2756 require multiyear financial projections (MYFPs) to ensure fiscal accountability, and authorize fiscal oversight by county offices of education to prevent districts from experiencing fiscal insolvency. MYFPs are part of the financial reporting process and require districts to identify whether they are able to maintain fiscal solvency for the current and two subsequent fiscal years.

FCMAT used its Web-based *Budget Explorer* software to create the MYFP and cash flow analysis for the district. After reviewing district information and interviewing staff, FCMAT used the district's 2011-12 second interim financial report as the baseline and made necessary adjustments to project the year-end revenues and expenses.

The MYFP is based on the fiscal year 2011-12 state budget and the governor's May revision for the 2012-13 fiscal year. The district qualifies for necessary small school (NSS) funding, which increases its state apportionment in the current year and, based on future ADA assumptions, is projected to benefit the district in the two subsequent years. The MYFP's assumptions include the cost of living adjustment (COLA), deficit factor and cash flow as if the governor's proposed tax initiative passes, but do not include funding changes that could result if the proposed weighted pupil funding method is applied.

To help protect local educational agencies against economic uncertainties, the state recommends that any school district with an average daily attendance (ADA) of less than 300, such as Pioneer USD, set aside a reserve equal to at least 5% of its annual general fund expenditures, transfers out and other uses, or $62,000, whichever is greater. With expenditures projected at $1,237,993 for 2011-12, $982,211 for 2012-13, and $977,278 for 2013-14, the district's recommended reserve is $62,000.

Although the MYFP identifies a growing trend of deficit spending, FCMAT projects that the district *will* be able to meet its recommended reserve for economic uncertainties and cash flow needs for the current and two subsequent fiscal years. In addition, because of the district's past prudence and current reserves, the district will be able to absorb the impact of cuts and deferrals should the governor's proposed tax initiative fail. However, if the district continues deficit spending, the district may experience financial insolvency soon after the projection years.

Findings and Recommendations

District Office Operations

The district is considered a direct service district and is one of five districts in Butte County that receive direct fiscal and operational services from Butte County Office of Education (COE). Although there is no formal written agreement, the COE provides budget development, payroll processing, deposit (accounts receivable), and accounts payable services. At this time, the COE does not charge for this support.

FCMAT interviewed the district's office staff, superintendent, business manager and two board members to ascertain the level of effectiveness within the office. The district office staff's responsibilities currently include payroll preparation, accounts payable and receivable preparation, budget guidance to the COE fiscal agent, and supervision of technology, food service, maintenance, and transportation.

FCMAT also interviewed county office staff and reviewed documents from both the county office and the district. FCMAT found multiple instances of ineffective functions and interactions on the part of the district, including the following:

Within the district:

- Although the district calendar stated that it was a staff development/collaboration day when FCMAT visited, there were no observable curriculum and instruction support services provided by the superintendent during the site visit, and none of the interviewees were able to speak to the team about the district's curriculum and instruction leadership or development activities.
- Staff indicated that there is a lack of consistent and regular communication between district office administration and management and teaching staff and expressed concern that administrators are inaccessible because of a lack of on-site presence.
- The current negotiated agreement with the certificated employee bargaining unit is dated 1998-2001, and the agreement with the classified employee bargaining unit is dated 2003-2007. Required public disclosures were not available for a negotiated step and column freeze or restoration for the certificated employees, which took place in 2009 and 2011, respectively.
- The district may not have followed proper procedures for facilities projects in recent years (as noted in the facilities issues section below). However, FCMAT was unable to conclusively determine this through inquiries because of a lack of district responsiveness and the required timeline for this report.

In relation to the Butte COE:

- The District Services division of the COE holds 11 business advisory group meetings annually to distribute information and discuss budget and procedural issues. Published meeting notes indicated that the district did not have a representative at these meetings during fiscal years 2010-11 and 2011-12.

- Payroll records indicated that on several occasions payroll adjustments had to be made because the COE did not receive information about new employees and substitutes from the district on time.
- Letters to the district from the COE indicated that the district was unprepared for expenditure testing even though it was scheduled in advance. In addition, Medi-Cal Administrative Activities funding was in jeopardy because of missed deadlines.
- The COE indicated that the district had slow responses or a lack of responses to inquiries and information requests. FCMAT experienced the same through interactions for this study.

In relation to the FCMAT study team:

- The FCMAT team experienced delays in receiving information even when specified that it was needed as soon as possible. Examples include the following:
    - A document request list was provided on March 28, 2012 in preparation for the on-site fieldwork. The documents requested should have been readily accessible to district staff, yet FCMAT did not begin receiving documents until April 16, 2012 and only had partial fulfillment of the request when interviews were conducted on April 18.
    - Board meeting minutes for 2010-11 and 2011-12 were requested during interviews on April 19, 2012 but were not available and not received until May 4. No explanation was provided for this delay.
    - On the initial document request and during interviews, FCMAT also requested the district's deferred maintenance plan and a list of recent, current and planned facilities projects. FCMAT requested that the information include the funding source for each project, who completed the project, and whether Division of the State Architect (DSA) approval was needed and received. A follow-up reminder e-mail was sent on May 9, 2012. Acknowledgement of receipt was provided on May 11, a partial response listing four projects was received on May 16, the deferred maintenance plan was received on May 21, and another partial response regarding funding was received on May 29.

Service Contracts

During interviews it became evident that the Pioneer Union Elementary School District office staff are performing services for both Feather Falls Elementary School District and Ipakanni Charter High School. Contracts exist between Pioneer and Feather Falls districts, but the work being performed for Ipakanni Charter High School is based on a contractual arrangement between Feather Falls and Ipakanni.

The blending of jobs between the three entities contributes to the inefficiencies and ineffectiveness at Pioneer UESD. There is no structure or organization of duties followed for the work being performed for other schools, and that work may be affecting the timeliness and attention to detail at Pioneer UESD.

A structured daily schedule is needed so that staff at Pioneer UESD fully understand the expectations, priorities and deadlines that they need to meet. The schedule needs to include the time needed to complete the work of Feather Falls district and Ipakanni Charter High School if those contracts continue.

The contracts for services for each educational entity need to be clearly delineated and the time accounted for separately through separate contracts between the Pioneer and Feather Falls districts and between the Pioneer district and the Ipakanni Charter High School. The contracted amount should be for no less than the actual cost of the services being performed for these small districts/schools. In addition, it would be beneficial for Pioneer UESD to attempt to schedule the contracted work outside of its own school day so that if the contracts end there would not be any effect on Pioneer UESD's daily staffing needs, and so that any additional time needed to complete work for the Feather Falls district and the Ipakanni Charter School could be completed and paid for by the educational entity for which it is performed and not charged to Pioneer UESD.

Based on interviews with employees who serve Feather Falls ESD and Ipakanni Charter High School in addition to their roles at Pioneer UESD, the contracts for their services may not adequately cover the costs.

Cost Distribution by Percentage of ADA

	ADA	% of Total ADA	Contribution to Costs
Ipakanni	20.69	18.66%	$ 46,138.83
Feather Falls	16.96	15.29%	$ 49,350.57
Pioneer	73.25	66.05%	$ 213,144.40
Total	110.9		

Based on the 2010-11 second principal apportionment period (P-2) ADA, Pioneer UESD students make up 66% of the total students served while Ipakanni Charter High School and Feather Falls ESD students together make up the other 34%. The contracts for services do not specify services or indicate how the contract amount was determined. The contract with Feather Falls ESD generates $45,000 per year. The contract with Ipakanni Charter High School is for services contracted from Feather Falls ESD, using personnel from Pioneer UESD; however, it is not clear how much of the contracted $85,000 per year is for classroom space and other items not related to Pioneer UESD costs.

Basing the allocation on each educational agency's percentage of the total ADA would result in the Ipakanni Charter High School providing approximately $46,139 per year and Feather Falls ESD providing approximately $49,350 per year to Pioneer UESD to offset costs. Additional costs for transportation and special education services would also need to be calculated and included in the agreement.

Recommendations

The district should:

1. Review the duties and responsibilities of the superintendent, including the responsibilities of curriculum and instruction leadership, and ensure that adequate time is allocated to complete those duties.
2. Consider seeking curriculum and instructional leadership support services from the Butte County Office of Education.
3. Ensure that the district office staff place priority on district responsibilities and the goals of the district, including accessibility to other district staff.

4. Actively seek and use support, information and training from the Butte COE to increase the district's effectiveness. This should include attending COE meetings and considering guidance and advisements provided by the COE.

5. Develop a calendar of COE meetings and deadlines to ensure that the district is represented and opportunities to increase the district's knowledge and funding are not missed. Consider aligning the district's calendar with these dates.

6. Review agreements with other districts and educational entities for consolidated services, and consider continuing them only if staff time is available to fulfill the agreements. The staffing needed to fulfill outside agreements should be considered annually within the scope of the agreements, and Pioneer Union Elementary School District should have contingency plans for layoffs in case the agreements are not renewed.

7. Thoroughly evaluate the feasibility and the impact of the contracts on the district's staffing and finances, and enter into an agreement only if it concludes that it will be beneficial and have no negative impact on the district.

8. Revise and clearly define contracts for services to other districts/schools and the associated costs to ensure that the calculated costs include the full cost to Pioneer Union Elementary District. In addition, include contingency language in contracts to allow the district to bill for additional costs if they are incurred and to exit the agreement if necessary to protect the district.

Staffing Comparison

Using the Ed-Data website (www.ed-data.k12.ca.us), a state website that provides timely and comprehensive data about K-12 education in California, FCMAT found seven comparable school districts with enrollments ranging from 72 to 100 students to use in an evaluation of the Pioneer UESD's staffing needs. The comparison districts were surveyed to obtain comparative staffing information.

The following chart shows the current enrollment and staffing of Pioneer UESD and the comparison districts.

Staffing Comparison

County	District	Enrollment	Teachers	Mgt./ Conf.	Admin.	Students per teacher	Students per Mgt., Conf & Admin	Students per Mgt./ Conf.
Butte	Pioneer Elementary	79	4.1	4	0.56	19.27	17.32	19.75
Imperial	Mulberry Elementary	83	5	1	1	16.60	41.50	83
Kern	Caliente (2 sites)	72	6	2	1	12.00	24.00	36
Kern	McKittrick	73	5	2	1	14.60	24.33	36.5
Kern	Midway	84	6	1	1	14.00	42.00	84
Madera	Raymond-Knowles Union Elementary	78	5.5	1	1.5	14.18	31.20	78
Monterey	Bradley Union Elementary	76	7	1	0.5	10.86	50.67	76
Nevada	Twin Ridges Elementary	100	7	2	1	14.29	33.33	50
Average						14.47	33.04	57.91

Source: Ed-Data.org, District Websites, CDE, direct district contact

In a district in which the stated priority is instruction and student achievement, it is expected that the staffing would reflect that priority through a lower student per teacher ratio.

In FCMAT's survey of comparable districts, student-to-teacher ratios ranged from a low of 10.86 students per teacher to 19.27:1 with an average of 14.47. A low student-to-teacher ratio indicates that the district places a priority on students' access to instructional support provided by teachers. For the current school year, Pioneer UESD has a ratio of 19.27 students per teacher, which is the highest in the comparison and an indicator that having a low student-to-teacher ratio is a lower priority than in the comparison districts.

Because of different local conditions and considerations, districts vary in the number of administrative, management and confidential staff required. However, the ratio of students to these staff can be evaluated and can indicate the prioritization of activities outside the classroom. Ratios of students-to-administrative, management, and confidential staff in the comparisons range from a low of 17.32-to-one to a high of 50.67-to-one, with an average of 33.04-to-one. A high student-to-staff ratio indicates that the district has few staff serving numerous students. In this comparison, Pioneer has the lowest student-to-administrative staff ratio, 17.32-to-one, indicating that it has the highest ratio of staff in relation to the student population.

Because all school districts are required to have a certificated administrative presence, removing the superintendent and principals from the ratio calculation provides for student-to-management and student-to-confidential staff ratios that may more clearly indicate an excess in administrative staffing. The survey of administrative staffing other than the superintendent and principal resulted in student-to-staff ratios ranging from 84-to-one to 19.75-to-one, with an average of 57.91-to-one. Pioneers UESD's ratio is the lowest, at 19.75 students per non-teaching staff member.

The results of the survey of comparable districts indicate that Pioneer UESD has a relatively high student-to-teacher ratio and a low student-to-administrative ratio. These results indicate that in the area of staffing, the district's priorities are not in the classroom. This finding is further supported by the fact that the district allocates only 43.78% of its expenditures to classroom teacher and instructional aide salaries and benefits.

District Priorities

The board members and staff stated the priority of the district was to earn the designation of a California Distinguished School. They expressed concern about declining enrollment and stated that one of the district's goals is to provide services to students in an effort to retain enrollment. In response to this objective, the governing board decided to offer extracurricular athletics and music instruction during the 2011-12 school year to provide students with more opportunities.

Although district staff repeatedly stated that their decisions are based on the welfare of the students and their desire to increase the district's historically low academic performance index (API) scores, a review of the MYFP and staffing ratios provides a conflicting image.

California measures the academic performance and progress of schools and local educational agencies (LEAs) based on results of statewide tests of students in grades two through 12. A school's API is a composite number representing the results of these tests. The 2010-11 statewide growth API for all grades was 779. For the same year, Butte County school districts' growth API ranged from a high of 883 to a low of 674, with two of the fourteen districts scoring in the 800s and nine scoring in the 700s. Pioneer UESD was the lowest scoring district in the county.

The district's API has remained relatively unchanged; it has only achieved a growth of 21 points over the last seven years, and had its lowest scores in 2010.

Pioneer API Scores

Year	2005	2006	2007	2008	2009	2010	2011
Score	653	634	644	639	639	613	674

Further review of test scores shows that in the area of English language arts, only 13 of the district's 49 students with valid test results, or 26.5%, scored at the level of proficient or above, compared to the state target of 67.6%. In mathematics, only 17 of the district's 49 students with valid test results, or 34.7%, scored proficient or above, compared to the state target of 68.5%.

It is expected that a district with a stated priority of student achievement would allocate resources to that objective. The fact that the amount expended on salaries for classified staff exceeds the amount expended on salaries for certificated staff seems to indicate that the district's priorities are not in the classroom but in the area of support staff. Support staff are important in any district, but for a district's classified staff salaries to exceed its certificated staff salaries is both extremely rare and uncharacteristic of a district that makes instruction a priority.

Staffing Realignment

To align its staffing ratios with the average of the comparison districts above, assuming its current enrollment of 79 students, the district would need to add 1.4 full-time equivalent (FTE) teaching staff for a total of 5.5 FTE teaching positions and reduce management/confidential staffing by approximately 2.5 FTE for a total of 1.5 FTE management/confidential positions.

According to staff, the district's superintendent/principal and business manager each took a salary reduction equivalent to 0.06 FTE for the 2011-12 school year, making each position 0.94 FTE. The reduction was applied by reducing these employees' work day by approximately 30 minutes. However, the application of this reduction is inconsistent with the exempt classification assigned to management positions such as these, which are not provided overtime compensation.

Recommendations

The district should:

1. Consider adding teaching staff positions as the budget allows to align its budget, expenditures and resources with existing district priorities.
2. Reduce or restructure classified management and confidential positions to align with district priorities. Consider properly classifying positions according to their responsibilities and roles (see next section).
3. Routinely evaluate district priorities and ensure that resources are aligned with the priorities to achieve the related goals.

Job Descriptions and Classifications

FCMAT reviewed district job descriptions, conducted on-site observations and interviewed staff, board members and county office contacts in an effort to fully understand the responsibilities and roles of the district staff. FCMAT found that many of the district's job descriptions do not accurately designate the job classification or identify the responsibilities and duties of each position. Further, because of a lack of information, FCMAT could not determine when or if the majority of job descriptions had been officially approved by the board.

Classifications

Government Code section 3513 defines the tasks that make a position confidential, management, or supervisory in nature. The district's office staff positions classified as confidential do not meet the requirement of Government Code section 3513, which defines confidential employees as follows:

> (f) "Confidential employee" means any employee who is required to develop or present management positions with respect to employer-employee relations or whose duties normally require access to confidential information contributing significantly to the development of management positions.

The district's business manager and district secretary positions are currently designated as confidential. However, interviews with each of these staff members confirm that neither of these positions are responsible for the development of, or are contributing to, employee-employer labor relations.

Government Code section 3513 defines management positions as follows:

> (e) "Managerial employee" means any employee having significant responsibilities for formulating or administering agency or departmental policies and programs or administering an agency or department.

The district's cafeteria manager and director of facilities and transportation positions are currently designated as management. However, data provided and interviews conducted with these employees indicate that these positions do not currently meet the criteria provided in Government Code section 3513. The director of facilities and transportation does supervise and evaluate other employees, and this position could be classified as supervisory if it meets the level of authority outlined in Government Code section 3513(g), which states the following:

> (g) "Supervisory employee" means any individual, regardless of the job description or title, having authority, in the interest of the employer, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them, or to adjust their grievances, or effectively to recommend this action, if, in connection with the foregoing, the exercise of this authority is not of a merely routine or clerical nature, but requires the use of independent judgment. <u>Employees whose duties are substantially similar to those of their subordinates shall not be considered to be supervisory employees</u>.

Job Reclassification, Estimated Savings

If the district were to change certain positions from their current confidential or management designations, a cost savings could be realized. Although new classifications for positions would need to be established, negotiated (in regard to positions that would be included in the classified bargaining unit) and approved by the governing board, an estimated cost savings projection is shown below. This projection assumes that the district would pay the new positions the highest current classified hourly rate and the same allowance for benefits that certificated staff currently receive, which is higher than the allowance that classified staff currently receive.

Estimated Savings from Job Reclassifications

Current position	Current classification	Current salary	Top classified hourly rate	Replacement Salary		Management Health benefit***	Certificated Health benefit****	Possible Savings
Business Manager	Confidential	$55,961	$22.10	$46,144.80	*	$13,862	$8,400	$15,278.20
District Secretary	Confidential	$50,473	$22.10	$46,144.80	*	$13,862	$8,400	$9,790.20
Cafeteria Manager	Management	$35,645	$22.10	$33,592.00	**	$13,862	$8,400	$7,515.00
Director of Facilities and Transportation	Management	$49,719	$22.10	$46,144.80	*	$13,862	$8,400	$9,036.20
Total								**$41,619.60**

*Calculated at 261 paid days and eight hours per day
**Calculated at 190 paid days and eight hours per day
***Uncapped
****Capped at $8,400

Total estimated salary and health benefit savings would be approximately $41,619 annually, not including additional savings of approximately $5,000 in salary-driven benefits costs.

Although there are potential savings based on the reclassification of the positions, most districts find that they do not need positions year round and will employ many staff for less than 12 months per year. Having a office and cafeteria staff work 10 or 11 months per year is common in schools because the work for these positions diminishes significantly when school is not in session. In addition to appropriate classification, reducing the number of work months per year of certain positions and the corresponding compensation will result in even more savings.

Recommendations

The district should:

1. Evaluate its staffing levels and classifications and reduce staff as appropriate. Consider both a reduction of staff and a reclassification of existing staff. Consider all opportunities for reductions, including reductions in staff, reclassification of positions, and reduction in number of employment days per year.

2. Establish procedure for periodically evaluating its staffing needs and position requirements. Adjust positions as required to efficiently and effectively meet the district's needs.

Staff Duties

Instructional

In addition to his district and site leadership role, the district's superintendent/principal also has classroom teaching responsibilities for 3.5 hours per day. Based on the number of contractual days and the remaining hours per day, this position's total full time equivalent (FTE) consists of 0.373 FTE teaching and 0.5668 FTE superintendent/principal. The contract with the Feather Falls Elementary School District states that the superintendent/principal will be on site at that district at least one day per week, leaving even less time for administrative and instructional leadership duties at Pioneer Union Elementary School District. The superintendent/principal's additional responsibilities include supervision of staff and the ability to prioritize workflow but, with the current duties at another district and classroom teaching duties, follow-through on these additional responsibilities is not occurring.

Business

The business manager's job description includes duties typical of a business manager in a district that is not a direct-service district. However, the Butte County Office of Education provides the district with budgeting, financial reporting, payroll and accounts payable processing services. The district's business manager has limited involvement in budget and finance, and only provides input to Butte County Office of Education regarding the annual budget. During the interview, it became evident that the business manager performs many duties typically performed in a human resources office, though these duties are not included in the job description. In addition, there is confusion about the status of the business manager position. The job description defines the position as confidential, but interviews and documents referred to the position as management.

The job description did not indicate the date of board adoption. Hence, it may be that the duties listed for the business manager position are outdated and no longer applicable. In addition to duties at Pioneer Union Elementary School District, the business manager provides services to Feather Falls Elementary School District. During the interview, the business manager estimated that approximately 20% of her time is devoted to Feather Falls. The job description and classification of the business manager are not consistent with the position's current duties or expectations.

Clerical

The district secretary position is classified as confidential but does not meet the Government Code criteria for this classification. The job description for this position also lacks a date of adoption and needs to be updated. This position is responsible for school clerical duties including student attendance and reporting. In addition to working for Pioneer Union Elementary School District, the secretary provides business manager services to Ipakanni Charter High School and some advisory services to the Feather Falls Elementary School District. The district secretary indicated that approximately 20% of her time is devoted to Ipakanni. The business manager duties being performed for Ipakanni are not clearly defined in either a job description or the contract with Feather Falls. This position could be changed to a represented position because its duties do not require a confidential designation.

Cafeteria

The job description for the cafeteria manager defines the position as management, but the position does not meet the criteria listed in the Government Code. The job description for this position also does not include a date of adoption and may need to be updated. This position is responsible for all aspects of the food service program, including hands-on cooking and cleaning duties as the sole food services employee. The cafeteria manager position also provides advisory services to Feather Falls Elementary School District cafeteria staff as needed but does not oversee that district's food service program.

Facilities and Transportation

The director of facilities and transportation position is responsible for all maintenance, groundskeeping, custodial and transportation services. This position is hands-on as this employee performs the majority of work within this scope. In addition, this position oversees part-time custodial support and trains the other district bus driver. The position is also included in the contract with Feather Falls Elementary School District and is assigned to oversee maintenance and transportation for that district. The job description needs to be updated because it does not include a list of duties and responsibilities or have a board adoption date. The position does not meet the requirements of a supervisory, management or confidential position as defined by Government Code section 3513 because the duties being performed are substantially similar to those duties being supervised, with the exception of the bus driver training and the responsibility for evaluating other staff. The job description could be updated and adopted to include detail regarding the duties that would make it consistent with a supervisory designation as defined by Government Code section 3513.

Recommendations

The district should:

1. Review the duties being performed by unrepresented employees, and reclassify positions to be compliant with Government Code section 3513.
2. Update and revise job descriptions to align them with current necessary job duties and responsibilities and to eliminate duties and responsibilities that are no longer being performed.
3. Define positions based solely on the needs of Pioneer UESD and do not include the time and work dedicated to contracted services. Include a plan to reduce the positions if the contracts are reduced or terminated, and include flexibility in case the Pioneer UESD needs additional time.
4. Establish a procedure to regularly review, update job descriptions and submit them for board approval.

Potential Conflicts of Interest, Audit Findings and Facilities Issues

Potential Conflicts of Interest

Government Code section 1090, which applies to various public officers and employees, including members of school boards, states that these individuals "shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members."

Two potential conflicts of interest exit between Pioneer UESD, Feather Falls ESD, and Ipakanni Charter High School. First, the business manager of Pioneer UESD is also a board member at Ipakanni Charter High School and serves as business manager for Feather Falls ESD. The contract with Feather Falls ESD covers the services to Ipakanni Charter High School and provides revenue to Pioneer UESD. Second, a popular substitute teacher at Pioneer UESD is the spouse of a Pioneer UESD board member.

Recommendations

The COE and the district should:

1. Ensure that parties are not involved in decision making, approval, and/or influence when there is a potential for their direct or indirect financial benefit.
2. Seek legal counsel to assist with review of current contracts to determine potential conflicts of interest and the district's risk exposure.
3. Seek legal counsel for review and guidance whenever a conflict of interest concern exists.

Audit findings

FCMAT reviewed the district's annual financial audits for fiscal years 2009-10 and 2010-11. Both audits identified a reoccurrence of two findings that identified weaknesses in segregation of duties and inadequate policies and procedures to ensure complete and accurate financial statements.

The district needs to implement adequate internal accounting procedures and make changes as required to segregate job duties and properly protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash or inventory) and maintain the records of related transactions.

Recommendations

The district should:

1. Review the district's corrective actions in response to audit findings to ensure that it makes progress in this area.
2. Establish policies and procedures to ensure complete and accurate financial statements.
3. Establish protocols and procedures to ensure segregation of duties.

4. Make it a priority to address and correct all findings and concerns identified by outside agencies that suggest a weakness in practices or an opportunity to improve.

5. Seek training and cross training for district staff to ensure that the district has the expertise to complete necessary financial statements. Request assistance from the Butte COE and auditor as needed to ensure success.

Facilities

Several drinking fountains at the school site were inoperable, one restroom was out of order due to a non-working toilet, and ceiling tiles showed evidence of roof leaks. Staff confirmed FCMAT's observations and stated that the roof leaks had existed for some time. As a result of known roof leaks, rooms have water collection pails ready for placement and staff and students know where to place the pails in anticipation of the rain.

The district had no plan for deferred maintenance but has developed one for 2011-12, which is to be approved at the June 2012 board meeting. Because the state has given school districts flexibility to use categorical funds for a variety of purposes, districts are not currently required to develop and adopt formal deferred maintenance plans. However, it continues to be a best practice and it will benefit the district to keep such a plan so that resources can be allocated to maintain its facilities.

The district's business manager identified the following projects completed during the fiscal years listed:

Roofing (2009-10)

Painting (2009-10)

Fire alarm system (2010-11)

Asphalt sealing (2010-11)

Water heater (2011-12)

Bathroom (2011-12)

The business manager stated that the roofing material was purchased by the district and completed by district employees. In interviews, staff indicated that local volunteers also assisted with the reroofing. The fire alarm was replaced by a vendor from Sacramento. According to the business manager, these projects were paid for with local funds and neither required nor received approval from the Division of the State Architect (DSA).

The DSA is an office within the California Department of General Services that reviews school building plans and specifications for structural, fire safety and access compliance. The DSA is required to supervise the reconstruction, alteration of, or addition to any school building, unless exempted under Education Code Section 17295, to ensure that plans and specifications comply with building standards published in Title 24 of the California Code of Regulations, and to ensure that the construction is in accordance with the approved plans and specifications, for the protection of life and property.

The district had no plan for deferred maintenance but has developed one for 2011-12

Recommendations

The district should:

1. Contact the DSA and have a qualified inspector inspect the roofing and fire alarm improvements.
2. Seek guidance from the Butte COE, the DSA, and the state's Office of Public School Construction regarding the proper procedures for structural repairs and improvements.
3. Seek training for the district position that is responsible for facilities repairs to better identify projects that require professional planning and inspection.
4. Allocate sufficient resources to ensure that its facilities are maintained in working and habitable condition.
5. Regularly review the condition of facilities and district property to identify needs and establish a plan to address them.

Multiyear Financial Projection

Assembly Bill (AB) 1200 (1991) defines a system of fiscal accountability for school districts and county offices of education to prevent fiscal insolvency. AB 2756 (2004) further strengthened the financial accountability and oversight used to monitor the fiscal position of school districts and county offices. These laws require that multiyear financial projections (MYFPs) be a part of districts' budget reporting and require districts to identify whether or not they are able to maintain fiscal solvency for the current and two subsequent fiscal years.

MYFPs are necessary for decision making and to project the district's future fiscal status. The district should use the MYFP regularly to evaluate the impact that current decisions and local factors will have on the district, with the objective of achieving the district's goals while maintaining a balanced budget and sustainable fiscal plan. The district should also use MYFPs to help identify trends, analyze the impact of past decisions and help align district funds with its goals.

MYFPs are based on assumptions that can, and likely will, fluctuate. Included in the assumptions are factors affecting district revenues and expenditures, such as enrollment and attendance rates, cost-of-living adjustments, negotiated bargaining unit agreements, and economic conditions at the local, state, and federal levels. As a result, the financial projections should be viewed as indication of a trend and not a prediction of exact figures. The greater the change in the assumptions influencing the projection, the greater the possible variance in outcomes and the more frequent the need for the district to monitor and update their MYFP.

To help protect local educational agencies against economic uncertainties, the state requires that any school district with an average daily attendance (ADA) of less than 300 set aside reserves equal to not less than 5% of its annual general fund expenditures, transfers out and other uses, or $62,000, whichever is greater. Although this level of reserve is helpful, it is not sufficient to prevent fiscal insolvency in today's changing economy. Districts that have set their reserve target to this minimum have struggled to maintain fiscal solvency during the economic decline in recent years.

In developing a MYFP for Pioneer Union Elementary School District, FCMAT used the district's latest budget information, reviewed revenue and expenditure trends during recent years, assessed district assumptions, and used industry-standard variables to forecast the district's finances.

As detailed later in this report, FCMAT's MYFP for Pioneer Union Elementary School District indicates that the district **will** be able to maintain its recommended reserve for the current and two subsequent fiscal years through 2013-14.

Multiyear Financial Projection Tool

FCMAT used its *Budget Explorer* web-based MYFP software to create the district's MYFP. The software was designed for California school districts and is available to local educational agencies (LEAs) at no charge.

Budget Explorer allows school districts to create and update financial projections by interfacing with the state's standardized account code structure (SACS) software or importing data directly from a district's financial system. With its comprehensive modeling capabilities, multiyear financial projections can be produced efficiently, accurately and more rapidly than with conventional spreadsheets. *Budget Explorer* can be used to make more informed budget decisions and incorporate educational goals and objectives into several financial scenarios. The MYFP utilized in this document will be available to the district online upon completion of this report.

Multiyear Financial Projection Assumptions

FCMAT prepared the MYFP using the adjusted base year budget, budget assumptions from the district's 2011-12 second interim budget, and School Services of California's (SSC's) Financial Dartboard assumptions updated in May 2012. FCMAT's MYFP excludes any future staffing changes and any salary adjustments not in effect or confirmed at the time of the review.

The 2011-12 California state budget was approved by Governor Jerry Brown on June 30, 2011, becoming only the sixth on-time budget in the last 20 years. The timeliness of the budget was made possible by Proposition 25, passed in November 2010, which allows the budget to be adopted by the Legislature with a simple majority vote.

The budget included the following assumptions, triggers and actions:

- Assumed an increase of $4 billion in general fund revenues from the May revise.
- Triggered cuts to public education should revenues fall more than $2 billion below the revenue forecast.
- Authorized a shorter school year (subject to collective bargaining) should the cuts above be triggered.
- Reinstated $2.1 billion in deferrals as proposed in the January budget proposal.
- Required districts to budget and project the same level of revenue per ADA as received in the 2010-11 fiscal year.
- Stated that districts will not be required to demonstrate fiscal solvency past the current budget year.
- Extended SBX3 4 categorical flexibility for two additional years and provided a two-year extension of the appropriation for class size reduction (CSR).
- Suspended the August 15 layoff window for 2011-12.

Flexibility provisions are to continue, including the following:

- Categorical Flexibility
  SBX3 4 authorizes complete flexibility of several categorical programs for any educational purpose through 2014-15.
- K-3 CSR
  SBX3 4 established a new schedule of reduced funding penalties. This schedule has been extended through 2013-14.
- Routine Restricted Maintenance Account Contribution
  The contribution to the routine restricted maintenance account (RRMA), required for LEAs participating in the state school facilities program, has been eliminated through 2014-15.
- Deferred Maintenance Program (DM)
  DM funding is unrestricted and available for district purposing. The local matching contribution normally required as a condition of eligibility for the deferred maintenance basic grant funding is eliminated for 2008-09 through 2014-15.

When building the multiyear projection, FCMAT did the following:

- Compared certificated, classified and management salary and benefit information budgeted at second interim to the district's staffing spreadsheet and actual year-to-date salary expense activity. FCMAT adjusted the future year budgets based on variances found in the base year budget.
- Reviewed internal and third party support documentation to verify the district's current year revenue and project future years. FCMAT adjusted revenues as necessary to align with the documentation and projected future years based on the SSC Dartboard.
- Reviewed the district's actual revenue and expenditure detail for each resource and major object code to identify contributions from the general fund and carryover. FCMAT adjusted in the base year general fund budget as necessary to indicate the effect of these items.

Base Year Budget Adjustments

FCMAT reviewed the district's 2011-12 second interim general fund budget as a baseline for comparative financial data. A comparison was made to position control, budget reports and the year-to-date general ledger to ensure the accuracy of the current year budget. FCMAT then adjusted the budget for the end-of-year revenues and expenses based on this evaluation in order to create the base year budget for the MYFP. The following table highlights the differences between the district's second interim and what FCMAT has calculated as the base year budget.

Differences between District Second Interim and FCMAT Estimates for Base Year

Second Interim 2011-12	District 2nd Interim	FCMAT Estimates	Difference Increase/ (Decrease)
Beginning Fund Balance	**$435,064**	**$435,064**	**$ -**
Revenues			
Revenue Limit Sources	$427,959	$480,118	$52,159
Federal Revenues	179,014	178,469	-545
Other State Revenues	495,438	511,424	15,986
Other Local Revenues	67,632	67,632	-
Total Revenues	**$1,170,043**	**$1,237,643**	**$67,600**
Expenditures			
Certificated Salaries	$248,883	$252,876	$3,993
Classified Salaries	264,098	275,647	11,549
Employee Benefits	196,022	199,402	3,380
Books and Supplies	95,482	96,352	870
Services and Other Operating	155,432	158,639	3,207
Capital Outlay	164,972	164,972	-
Other Outgo	42,905	42,905	-
Direct Support/Indirect Cost	-	-	-
Debt Service	6,112	6,112	-
Total Expenditures	**$1,173,906**	**$1,196,905**	**$22,999**
Excess (Deficiency) of Revenues Over Expenditures	**($3,863)**	**$40,738**	**$44,601**
Other Financing Sources\Uses			

Second Interim 2011-12	District 2nd Interim	FCMAT Estimates	Difference Increase/ (Decrease)
Interfund Transfers In	$396	$396	$ -
Interfund Transfers Out	41,484	41,484	-
All Other Financing Sources	-	-	-
All Other Financing Uses	-	-	-
Contributions	-	-	-
Total Other Financing Sources\ Uses	**($41,088)**	**($41,088)**	**$ -**
Net Increase (Decrease) in Fund Balance	**($44,951)**	**($350)**	**$44,601**
Fund Balance			
Projected Ending Fund Balance	$390,113	$434,714	$44,601

Revenues

Revenue Limit Sources

The increase in revenue limit is due in part to the addition of the necessary small school (NSS) allowance to the revenue limit calculation. The NSS allows small schools to be funded according to a schedule determined by the lesser of the number of teachers or the number of students served. The district qualifies for NSS funding within the 72.5 – 96.49 ADA range and with four teachers, for an amount of $564,263, or $22,902 more than that earned by the ADA calculation alone. The district had not taken advantage of their eligibility for this allowance when submitting their revenue limit calculations to the state. The Butte COE is working with the California Department of Education (CDE) to apply for the allowance retroactively for the current fiscal year and has received preliminary approval.

The second change to the revenue limit sources was the prior year aid, object 8019. The district budgeted a negative amount in this object code, representing an independent study audit exception that the district is repaying to the state. However, this amount was also budgeted in debt service object 7439. FCMAT eliminated the negative prior year state aid and adjusted it to the actual positive prior year aid received to date.

Federal Revenues

FCMAT made minor adjustments to Title I, Part A and Title II, Part A budgeted revenues. Additionally, the district will be forfeiting $1,297 because it did not spend all of their Enhancing Education Through Technology monies before the spending deadline.

State Revenues

The increase in state revenues is due to the recertification of the pupil transportation apportionment.

Expenditures

Salaries and Benefits

FCMAT made adjustments to the budget to bring it into agreement with the spreadsheet titled "Staffing 11-12" provided by the district and a review of the actual salaries paid to date. Budget adjustments included an overall increase of 2.7% to employee compensation, including increases of $3,993 to certificated salaries, $11,549 to classified salaries, and $3,380 to employee benefits.

Services and Other Operating

The Communications budget, object 5900, was increased by $3,625 to $7,425, an amount equal to the actual amount spent through April 11, 2012 plus encumbrances.

Multiyear Financial Projection

After adjusting the base year, FCMAT made the necessary adjustments to the two subsequent fiscal years, taking into account one-time revenues and expenses, enrollment projections, and projected changes to revenues and expenses.

2012-13 State Budget

For 2012-13, the governor's May revision to the budget provides for unchanged funding for K-12 education in the best-case scenario. The proposal, which includes buy-downs for deferrals, increases in funding for special education and mandates, and continued funding for QEIA, depends on passage of the governor's tax initiative.

Should the initiative fail, cuts and deferrals are proposed. Although the California Department of Finance had not provided the budget trailer bill language at the time of this report, the CDE supports the assumption that the potential 2012-13 cuts would be enacted similar to the 2011-12 cuts. This would cause a reduction of approximately $441 per ADA or, in the case of necessary small school funding, a reduction of about 7% of the undeficited apportionment. Basic aid districts would be subject to a fair-share reduction of 9.57% based on their revenue limit calculation.

In addition, the governor proposes to restructure state funding by implementing the Weighted Pupil Formula (WPF), which would provide a base funding amount for each student and supplemental amounts for English Language Learners and students eligible for free and reduced-price meals. As proposed, the WPF has a hold harmless clause for 2012-13 that protects districts from receiving fewer funds due to its implementation.

Although FCMAT's MYFP for the district follows the newly revised SSC dartboard for cost of living adjustments (COLA) and deficit factors, it does not include the above reductions that would be triggered if the governor's tax initiative fails, or the changes due to WPF. If imposed, these reductions and changes would result in the district receiving approximately $40,000 less in state revenue in 2012-13 and approximately $25,000 less in 2013-14.

The following table shows FCMAT's multiyear financial projection for the district's general fund. Separate charts for unrestricted and restricted resources were not necessary because the restricted resources ending fund balance was an immaterial amount.

Multiyear Financial Projection for Pioneer UESD, General Fund

	Base Year 2011-12	Year 1 2012-13	Year 2 2013-14
Beginning Fund Balance	**$435,064**	**$434,714**	**$344,695**
Revenues			
Revenue Limit Sources	$480,118	$360,005	$367,747
Federal Revenues	178,469	99,463	99,463
Other State Revenues	511,424	364,925	371,719
Other Local Revenues	67,632	67,822	68,001
Total Revenues	**$1,237,643**	**$892,193**	**$906,931**
Expenditures			
Certificated Salaries	$252,876	$252,876	$252,876
Classified Salaries	275,647	255,079	255,079
Employee Benefits	199,402	194,176	194,176
Books and Supplies	96,352	77,435	77,960
Services and Other Operating	158,639	149,125	149,778
Capital Outlay	164,972	-	-
Other Outgo	42,905	6,320	6,320
Direct Support/Indirect Cost	-	-	-
Debt Service	6,112	6,112	-
Total Expenditures	**$1,196,905**	**$941,123**	**$936,190**
Excess (Deficiency) of Revenues Over Expenditures	**$40,738**	**($48,929)**	**($29,259)**
Other Financing Sources\Uses			
Interfund Transfers In	$396	$396	$396
Interfund Transfers Out	41,484	41,484	41,484
All Other Financing Sources	-	-	-
All Other Financing Uses	-	-	-
Contributions	-	-	-
Total Other Financing Sources\Uses	**($41,088)**	**($41,088)**	**($41,088)**
Net Increase (Decrease) in Fund Balance	**($350)**	**($90,017)**	**($70,347)**
Fund Balance			
Projected Ending Fund Balance	$434,714	$344,695	$274,349
Recommended Reserve	$62,000	$62,000	$62,000
Unreserved Ending Fund Balance	$372,714	$282,695	$212,349

Enrollment

Enrollment and average daily attendance projections play a fundamental role in a school district's budget planning. The number of students enrolled provides a basis to identify staffing and facility needs and provides a target for attainable average daily attendance (ADA). ADA drives the district's revenue sources and determines other fiscal health indicators, including required reserves. Proper tracking and analysis of enrollment and ADA can enable the district to more accurately project future revenues, control staffing and expenditures, and plan to maintain fiscal solvency.

Any enrollment forecast has inherent limitations because it is based on certain criteria and assumptions rather than on exact calculations. These limitations are significant for Pioneer Union Elementary School District because a small change can have a significant effect on both ADA funding and qualifications for necessary small school status. Therefore, the cohort survival model used to forecast enrollment and ADA should be viewed as a trend based on certain criteria and assumptions rather than as a prediction of exact numbers. To maintain the most accurate and meaningful data, the district must be in constant communications and contact with the community and the projection should be updated at least at each interim financial reporting period.

To ensure fiscal solvency when enrollment and ADA are unchanged or declining, the district must exercise extreme caution regarding budgetary issues such as negotiations, staffing and deficit spending. Diligent planning will enable the district to better understand its financial objectives and strategies to sustain financial solvency.

The district's enrollment has decreased by 39 students, or 36.7%, over the last 5 years, which is a significant decline. In addition, the district's enrollment fluctuated greatly during the current year; the district reported an enrollment of 61 students in October 2011 and an enrollment of 67 in April 2012, an increase of approximately 10% within six months. The district attributes the increase to its efforts to make the district attractive to families by providing a small school atmosphere and an enriched educational environment.

The district's multiyear enrollment projections predicted stable enrollment through 2014-15. FCMAT's projection of the district's enrollment starts with current declines in kindergarten enrollment and projects, at maximum, full cohort survival. This means that if grade one has 11 students in the current year, the most that grade two can have next year is 11 students.

FCMAT projected the district's ADA based on the historical relationship of the district's ADA to enrollment. These enrollment and ADA projections are shown in the table on the following page.

Enrollment and ADA projections

Enrollment	Historical 5 2006 - 07	Historical 4 2007-08	Historical 3 2008-09	Historical 2 2009-10	Historical 1 2010-11	Base Year 2011-12	Year 1 2012-13	Year 2 2013-14
K	8	6	9	12	11	5	5	3
1	10	15	7	4	8	11	5	5
2	12	9	13	10	4	4	11	5
3	12	11	8	12	7	8	4	11
4	15	11	7	9	13	11	7	4
5	8	13	12	9	9	12	9	7
Subtotal (K - 5)	65	65	56	56	52	51	41	35
6	16	11	12	9	6	4	12	9
7	19	18	10	11	11	6	4	12
8	6	17	20	11	10	6	6	4
Subtotal (6 - 8)	41	46	42	31	27	16	22	25
Ungraded Elementary	0	0	0	0	0	0	0	0
Ungraded Secondary	0	0	0	0	0	0	0	0
Subtotal Excluding Charter Schools	106	111	98	87	79	67	63	60
Charter Schools (to calculate in-lieu property taxes)	0	0	0	0	0	4	4	4
Total	**106**	**111**	**98**	**87**	**79**	**71**	**67**	**64**
P-2 ADA	**Historical 5 2006 - 07**	**Historical 4 2007-08**	**Historical 3 2008-09**	**Historical 2 2009-10**	**Historical 1 2010-11**	**Base Year 2011-12**	**Year 1 2012-13**	**Year 2 2013-14**
Excluding Charter Schools	88.36	97.38	85.16	76.58	73.25	57.69	55.73	53.11
Charter Schools (to calculate in-lieu property taxes)	0.00	0.00	0.00	0.00	0.00	3.25	3.25	3.25
COE Community Schools/Special Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**88.36**	**97.38**	**85.16**	**76.58**	**73.25**	**60.94**	**58.98**	**56.36**
Enrollment Factors	**Historical 5 2006 - 07**	**Historical 4 2007-08**	**Historical 3 2008-09**	**Historical 2 2009-10**	**Historical 1 2010-11**	**Base Year 2011-12**	**Year 1 2012-13**	**Year 2 2013-14**
Excluding Charter and COE	0.8336	0.8773	0.8690	0.8802	0.9272	0.8610	0.8846	0.8852
Charter Schools (to calculate in-lieu property taxes)	0.0000	0.0000	0.0000	0.0000	0.0000	0.8125	0.8125	0.8125

Revenue Limit Sources

The decrease in revenue limit funding in the two subsequent fiscal years is due to the anticipated decrease in enrollment, because districts are provided with revenue limit funding based on the greater of current year or prior year ADA. As a result of the decrease in ADA, the district also falls into a lower range of 48.5-72.49 ADA and three teachers for necessary small school funding, which decreases the current allowance by approximately $140,000. Although the district continues to benefit from necessary small schools funding in FCMAT's calculations, this benefit would need to be reevaluated annually because an increase in ADA may nullify it and a sharp decrease in ADA may make the district eligible for basic aid status, under which property taxes equal or exceed revenue limit funding.

Federal Revenues

The significant decrease in these revenues is caused in part by the cessation of Forest Reserve funds and the uncertainty of receiving reimbursement for Medi-Cal Administrative Activities (MAA) expenses in the future. Although the district received $36,425 in the current year for MAA, unless current conditions continue and the district continues to aggressively pursue these funds, there is no assurance of the availability of these unrestricted funds.

State Revenues

The district received a one-time bus replacement grant of $140,000 in 2011-12. The district's state revenues are inflated in 2011-12 by the amount of this grant.

Salaries and Benefits

FCMAT did not project changes to salary schedules or benefits in the projection years. Both the certificated and classified staff are working under outdated contracts. The classified contract is dated July 1, 2003-June 30, 2007 and the certificated contracted is dated 1999-2001. A majority of the district's classified staff are considered management/confidential and as such have no bargaining unit. At the May 10, 2012 board meeting there was discussion of the superintendent's contract but no action was taken. At the same meeting, the certificated staff presented the Board with a proposal to open negotiations for 2011-12 and 2012-13. Both of these items may affect the MYFP once negotiations are settled, but are not included in the MYFP at this time because of the uncertainty of the outcome. At the May 10, 2012 meeting the board acted to eliminate the special education bus driver position because there will be no special education students to transport to the county office of education next year. The elimination of this position is reflected in the projection years.

Books and Supplies; Services and Other Operating Expenses

The amount for these items is decreased in the projection years because of the overall decrease in revenues and a projected decrease in student enrollment.

Capital Outlay

The amount in 2011-12 represents the expense side of the one-time bus replacement grant. There is no capital outlay projected from the general fund in future years.

Other Outgo

The district does not expect to need outside special education services in the near future. The one student who currently requires these services will no longer be in the district next year. Costs for these services were removed in the projection years. However, continued attention to this area is prudent because special education costs can fluctuate greatly in small districts and the need for outside services may recur.

Debt Services

The district is currently paying the state for an independent study audit exception. Next year they will make the final payment of $6,112. The district has no other existing debt service.

Cash Flow

FCMAT was provided year-to-date cash flow actuals through April 2012. FCMAT's projections commence in May 2012 and continue through the 2012-13 and 2013-14 fiscal years according to the schedules proposed in the 2012 governor's May budget revision.

Because the majority of the district's unrestricted revenues are received from property tax, the district is less affected by the current and proposed cash deferrals than many other districts.

FCMAT's cash flow projection below for the district indicates that because of its current cash balance, the district will have sufficient cash available to weather fluctuations through the current and subsequent two fiscal years and will be able to meet its cash needs without outside borrowing.

Cash Flow Projection, 2011-12

Name	Object Code	Budget	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Actuals Plus Projected Cash	Accruals
			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected		
Beginning Cash Balance			$378,228.00	$558,614.00	$546,905.00	$543,519.00	$521,195.00	$486,083.00	$694,131.00	$582,847.00	$491,028.00	$433,213.00	$636,060.00	$614,227.67		
Receipts																
Revenue Limit Sources	8010-8099	$359,604.00	($12,168.00)	($5,166.00)	($4,311.00)	$19,574.00	$2,452.00	$196,091.00	($941.00)	($1,267.00)	($2,792.00)	$226,200.00	($29,064.53)	($29,064.53)	$359,542.94	$61.06
Revenue Limit State Aid Portion	8011-8011	$120,514.18	$0.00	$0.00	$26,774.00	$0.00	$0.00	$0.00	$48,552.00	$242.00	$0.00	$1,207.00	$1,407.47	$0.00	$78,182.47	$42,331.71
Federal Revenues	8100-8299	$178,469.00	$0.00	$6,053.00	$10,309.00	$0.00	$595.00	$42,922.00	$13,460.00	$12,715.00	$20,315.00	$187.00	$6,562.59	$32,562.49	$145,681.08	$32,787.92
Other State Revenues	8300-8599	$511,424.00	$30,458.00	$31,577.00	$54,713.00	$15,299.00	$19,516.00	$29,945.00	$71,686.00	$18,558.00	$6,143.00	$40,506.00	$50,270.56	$38,780.15	$407,451.71	$103,972.29
Other Local Revenues	8600-8799	$67,632.00	$24,368.00	$5.00	$713.00	$1,747.00	$51.00	$580.00	$4,408.00	$1,450.00	$1,264.00	$1,642.00	$15,695.72	$0.00	$51,923.72	$15,708.28
Interfund Transfers In	8900-8929	$396.00	$0.00	$0.00	$0.00	$0.00	$396.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$396.00	$0.00
All Other Financing Sources	8930-8979	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Receipts		$1,238,039.18	$42,658.00	$32,469.00	$88,198.00	$36,620.00	$23,010.00	$269,538.00	$137,165.00	$31,698.00	$24,930.00	$269,742.00	$44,871.81	$42,278.11	$1,043,177.92	$194,861.26
Disbursements																
Certificated Salaries	1000-1999	$252,876.00	$20,000.00	$20,000.00	$17,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$22,000.00	$22,000.00	$22,000.00	$21,375.43	$23,750.48	$248,125.91	$4,750.09
Classified Salaries	2000-2999	$275,647.00	$25,000.00	$25,000.00	$20,000.00	$20,000.00	$20,000.00	$23,000.00	$20,000.00	$24,000.00	$24,000.00	$24,000.00	$21,705.86	$24,117.62	$270,823.48	$4,823.52
Employee Benefits	3000-3999	$199,402.00	$20,769.00	$20,037.00	$16,729.00	$17,261.00	$12,117.00	$15,963.00	$16,878.00	$10,739.00	$11,535.00	$12,686.00	$19,152.00	$21,280.00	$195,146.00	$4,256.00
Books and Supplies	4000-4999	$96,352.19	$8,034.00	$4,794.00	$15,000.00	$1,683.00	$5,463.00	$2,527.00	$16,571.00	$5,294.00	$6,210.00	$5,000.00	$0.00	$0.00	$70,576.00	$25,776.19
Services and Other Operating	5000-5999	$158,639.00	$0.00	$0.00	$15,000.00	$0.00	$10,000.00	$0.00	$95,000.00	$10,000.00	$12,000.00	$3,209.00	$4,470.85	$4,470.85	$154,150.70	$4,488.30
Capital Outlay	6000-6900	$164,972.00	$0.00	$0.00	$26,532.00	$0.00	$0.00	$0.00	$80,000.00	$10,000.00	$7,000.00	$0.00	$0.00	$0.00	$123,532.00	$41,440.00
Other Outgo	7000-7299	$42,905.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$41,484.00	$0.00	$0.00	$0.00	$0.00	$41,484.00	$1,421.00
Direct Support/Indirect Cost	7300-7399	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Debt Service	7430 - 7439	$6,112.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$6,112.00
Interfund Transfers Out	7600 - 7629	$41,484.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$41,484.00
All Other Financing Uses	7630 - 7699	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Disbursements		$1,238,389.19	$73,803.00	$69,831.00	$110,261.00	$58,944.00	$67,580.00	$61,490.00	$248,449.00	$123,517.00	$82,745.00	$66,895.00	$66,704.14	$73,618.95	$1,103,838.09	$134,551.10
Assets																
Revolving Cash Account	9130	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cash with a Fiscal Agent/ Trustee	9135	$176,488.00	$176,488.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$176,488.00	$0.00
Accounts Receivable	9200	$88,831.00	$35,043.00	$25,653.00	$18,677.00	$0.00	$9,458.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$88,831.01	$0.00
Due from Other Funds	9310	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Assets		$265,319.00	$211,531.00	$25,653.00	$18,677.00	$0.00	$9,458.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$265,319.01	$0.00
Liabilities																
Accounts Payable (Current Liabilities)	9500	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Due to Grantor Governments	9590	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Due to Other Funds	9610	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Deferred Revenue	9650	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Liabilities		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Ending Cash Balance			*$558,614.00*	*$546,905.00*	*$543,519.00*	*$521,195.00*	*$486,083.00*	*$694,131.00*	*$582,847.00*	*$491,028.00*	*$433,213.00*	*$636,060.00*	*$614,227.67*	*$582,886.84*		

2012-13

Name	Object Code	Budget	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Actuals Plus Projected Cash	Accruals
			Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected		
Beginning Cash Balance			$582,886.84	$637,263.22	$637,398.83	$620,727.26	$546,002.84	$489,474.35	$578,906.01	$581,195.32	$550,090.21	$481,446.43	$585,536.22	$561,142.11		
Receipts																
Revenue Limit Sources	8010-8099	$344,190.43	$18,242.09	$16,865.33	($2,478.17)	($1,652.11)	($1,652.11)	$144,319.05	($1,652.11)	($1,652.11)	($2,168.40)	$143,802.76	$16,039.27	$16,039.27	$344,052.76	$137.67
Revenue Limit State Aid	8011-8011	$15,851.01	$0.00	$0.00	$1,889.44	$0.00	$1,426.59	$1,426.59	$4,200.52	$458.09	$0.00	$0.00	$190.21	$1,375.87	$10,967.31	$4,883.70
Federal Revenues	8100-8299	$99,463.00	$0.00	$0.00	$34,812.05	$0.00	$0.00	$0.00	$9,946.30	$24,865.75	$0.00	$0.00	$0.00	$9,946.30	$79,570.40	$19,892.60
Other State Revenues	8300-8599	$364,925.28	$6,787.61	$6,787.61	$20,691.26	$32,222.90	$31,201.11	$26,822.01	$65,467.60	$25,143.35	$13,648.21	$39,229.47	$19,705.97	$12,261.49	$299,968.59	$64,956.69
Other Local Revenues	8600-8799	$67,799.90	$24,407.96	$0.00	$678.00	$1,695.00	$0.00	$0.00	$4,406.99	$1,423.80	$1,220.40	$1,627.20	$15,593.98	$0.00	$51,053.33	$16,746.57
Interfund Transfers In	8900-8929	$396.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$396.00
All Other Financing Sources	8930-8979	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Receipts		$892,625.62	$49,437.66	$23,652.94	$55,592.58	$32,265.79	$30,975.59	$172,567.65	$82,369.30	$50,238.88	$12,700.21	$184,659.43	$51,529.43	$39,622.93	$785,612.39	$107,013.23
Disbursements																
Certificated Salaries	1000-1999	$252,876.00	$7,586.28	$10,115.04	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$25,287.60	$247,818.48	$5,057.52
Classified Salaries	2000-2999	$255,079.00	$7,652.37	$10,203.16	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$25,507.90	$249,977.42	$5,101.58
Employee Benefits	3000-3999	$194,175.67	$5,825.27	$7,767.03	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$19,417.57	$190,292.16	$3,883.51
Books and Supplies	4000-4999	$77,434.99	$11,615.25	$11,615.25	$11,615.25	$5,420.45	$5,420.45	$5,420.45	$5,420.45	$5,420.45	$5,420.45	$4,646.10	$0.00	$0.00	$72,014.55	$5,420.44
Services and Other Operating	5000-5999	$149,125.83	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$11,467.78	$137,613.36	$11,512.47
Capital Outlay	6000-6900	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Outgo	7000-7299	$6,320.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,264.00	$1,264.00	$1,264.00	$1,264.00	$1,264.00	$6,320.00	$0.00
Direct Support/Indirect Cost	7300-7399	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Debt Service	7430-7439	$6,112.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,056.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,056.00	$6,112.00	$0.00
Interfund Transfers Out	7600-7629	$41,484.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$41,484.00
All Other Financing Uses	7630-7699	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Disbursements		$982,607.49	$44,146.95	$51,168.26	$86,274.79	$80,079.99	$80,079.99	$83,135.99	$80,079.99	$81,343.99	$81,343.99	$80,569.64	$75,923.54	$86,000.85	$910,147.97	$72,459.52
Assets																
Revolving Cash Account	9130	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cash with a Fiscal Agent/Trustee	9135	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Accounts Receivable	9200	$194,861.26	$75,995.89	$54,561.15	$40,920.86	$0.00	$19,486.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,897.23	$194,861.26	$0.00
Due from Other Funds	9310	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Assets		$194,861.26	$75,995.89	$54,561.15	$40,920.86	$0.00	$19,486.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,897.23	$194,861.26	$0.00
Liabilities																
Accounts Payable (Current Liabilities)	9500	$134,551.10	$26,910.22	$26,910.22	$26,910.22	$26,910.22	$26,910.22	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$134,551.10	$0.00
Due to Grantor Governments	9590	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Due to Other Funds	9610	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Deferred Revenue	9650	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Liabilities		$134,551.10	$26,910.22	$26,910.22	$26,910.22	$26,910.22	$26,910.22	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$134,551.10	$0.00
Ending Cash Balance			*$637,263.22*	*$637,398.83*	*$620,727.26*	*$546,002.84*	*$489,474.35*	*$578,906.01*	*$581,195.32*	*$550,090.21*	*$481,446.43*	*$585,536.22*	*$561,142.11*	*$518,661.42*		

2013-14

Name	Object Code	Budget	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Actuals Plus Projected Cash	Accruals
			Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected		
Beginning Cash Balance			$518,661.42	$557,086.16	$549,349.49	$496,264.20	$434,840.38	$408,168.17	$506,315.88	$502,086.45	$468,706.54	$403,885.92	$521,601.39	$502,350.10		
Receipts																
Revenue Limit Sources	8010 - 8099	$343,268.90	$18,200.70	$16,955.99	($2,489.41)	($1,659.61)	($1,659.61)	$143,945.99	($1,659.61)	($1,659.61)	($2,178.24)	$143,427.36	$16,022.46	$16,022.46	$343,268.87	$0.03
Revenue Limit State Aid	8011 - 8011	$24,478.23	$0.00	$0.00	$2,917.81	$0.00	$2,203.04	$2,203.04	$6,486.73	$707.42	$0.00	$0.00	$293.74	$2,124.71	$16,936.49	$7,541.74
Federal Revenues	8100 - 8299	$99,463.00	$0.00	$0.00	$0.00	$0.00	$23,442.80	$4,822.56	$0.00	$21,952.90	$3,662.00	$13,321.40	$4,679.50	$16,909.42	$88,790.58	$10,672.42
Other State Revenues	8300 - 8599	$371,719.69	$6,949.62	$6,949.62	$21,091.82	$33,194.62	$31,805.12	$27,343.09	$66,690.32	$25,622.32	$13,902.56	$39,986.04	$20,086.42	$12,509.29	$306,130.84	$65,588.85
Other Local Revenues	8600 - 8799	$68,001.53	$24,480.55	$0.00	$680.02	$1,700.04	$0.00	$0.00	$4,420.10	$1,428.03	$1,224.03	$1,632.04	$15,640.35	$0.00	$51,205.16	$16,796.37
Interfund Transfers In	8900 - 8929	$396.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$396.00
All Other Financing Sources	8930 - 8979	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Receipts		$907,327.35	$49,630.87	$23,905.61	$22,200.24	$33,235.05	$55,791.35	$178,314.68	$75,937.54	$48,051.06	$16,610.35	$198,366.84	$56,722.47	$47,565.88	$806,331.94	$100,995.41
Disbursements																
Certificated Salaries	1000-1999	$252,876.00	$7,586.28	$10,115.04	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$22,758.84	$25,287.60	$247,818.48	$5,057.52
Classified Salaries	2000-2999	$255,079.00	$7,652.37	$10,203.16	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$22,957.11	$25,507.90	$249,977.42	$5,101.58
Employee Benefits	3000-3999	$194,175.67	$5,825.27	$7,767.03	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$17,475.81	$19,417.57	$190,292.16	$3,883.51
Books and Supplies	4000- 4999	$77,960.12	$11,694.02	$11,694.02	$11,694.02	$5,457.21	$5,457.21	$5,457.21	$5,457.21	$5,457.21	$5,457.21	$4,677.61	$0.00	$0.00	$72,502.93	$5,457.19
Services and Other Operating	5000-5999	$149,778.98	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$11,518.00	$138,216.00	$11,562.98
Capital Outlay	6000-6900	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Outgo	7000-7299	$6,320.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,264.00	$1,264.00	$1,264.00	$1,264.00	$1,264.00	$6,320.00	$0.00
Direct Support/Indirect Cost	7300-7399	$0.63	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.63	$0.63	$0.00
Debt Service	7430-7439	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Interfund Transfers Out	7600-7629	$41,484.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$41,484.00
All Other Financing Uses	7630-7699	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Disbursements		$977,674.40	$44,275.94	$51,297.25	$86,403.78	$80,166.97	$80,166.97	$80,166.97	$80,166.97	$81,430.97	$81,430.97	$80,651.37	$75,973.76	$82,995.70	$905,127.62	$72,546.78
Assets																
Revolving Cash Account	9130	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cash with a Fiscal Agent/Trustee	9135	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Accounts Receivable	9200	$121,953.10	$47,561.71	$34,146.87	$25,610.15	$0.00	$12,195.31	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,439.06	$121,953.10	$0.00
Due from Other Funds	9310	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Assets		$121,953.10	$47,561.71	$34,146.87	$25,610.15	$0.00	$12,195.31	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,439.06	$121,953.10	$0.00
Liabilities																
Accounts Payable (Current Liabilities)	9500	$72,459.52	$14,491.90	$14,491.90	$14,491.90	$14,491.90	$14,491.90	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.02	$72,459.52	$0.00
Due to Grantor Governments	9590	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Due to Other Funds	9610	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Deferred Revenue	9650	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Liabilities		$72,459.52	$14,491.90	$14,491.90	$14,491.90	$14,491.90	$14,491.90	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.02	$72,459.52	$0.00
Ending Cash Balance			*$557,086.16*	*$549,349.49*	*$496,264.20*	*$434,840.38*	*$408,168.17*	*$506,315.88*	*$502,086.45*	*$468,706.54*	*$403,885.92*	*$521,601.39*	*$502,350.10*	*$469,359.32*		

Ending Fund Balance

The MYFP indicates a deficit spending trend. Under current conditions, the deficit spending is minimal in the current year but grows to $90,017 in 2012-13 and is projected at $70,347 for 2013-14. This deficit spending significantly erodes the ending fund balance, from $434,713 projected for June 2012 to $274,349 in June 2014 unless the board takes action to reduce or eliminate this trend

As indicated earlier, the 2012-13 state budget includes cuts that will be triggered should the tax initiatives fail. If all other revenues and expenses remain constant, those cuts would further reduce the June 2014 fund balance by approximately $65,000.

Although districts the size of Pioneer UESD are currently only required to maintain a reserve for economic uncertainty equal to at least 5% of total general fund expenditures and other financing uses, or $62,000, whichever is greater, a more substantial reserve is needed to withstand the current and potential future erosion in California's K-12 funding.

Recommendations

The district should:

1. Take all reasonable steps to balance its budget, and continue to evaluate its ability to maintain fiscal solvency for the current and subsequent years.
2. Routinely calculate revenue limit worksheets using all possible scenarios to determine which funding model is most advantageous.
3. Regularly review and monitor the budget to ensure that the budgeted allocations and expenditure of district funds reflect the district's priorities.
4. Review restricted programs regularly and work to ensure that the program budgets are balanced.
5. Regularly review enrollment and attendance records to identify and respond to trends. Maintain open communication with the community and continue to seek opportunities to increase enrollment and attendance.
6. Work with all bargaining units to obtain current contracts and settle salary and benefit amounts for the future years. Include negotiated changes in the MYFP.
7. Prepare contingencies for the potential state revenue cuts and proposed changes to the funding model.
8. Closely monitor special education needs.
9. Aggressively pursue additional funding, including unrestricted MAA and mandated cost reimbursement funds.

Appendix

Study Agreement

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

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
March 12, 2012

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Butte County Office of Education hereinafter referred to as the COE, mutually agree as follows:

1. **BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The COE has requested that the Team provide for the assignment of professionals to study specific aspects of the Butte County Office of Education operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

1. The Butte County Office of Education is requesting that the FCMAT Team conduct an organizational and staffing review of a direct service district, (Pioneer Union Elementary School District) that will include but not be limited to the district's central office departments and workflow. The review will consist of the following departments; Superintendent's Office, Curriculum & Instruction, Business Services, Personnel, Food Service, Technology and Maintenance\Operations.

2. The Team will provide comparative staffing data for direct service districts of similar size and structure and provide recommendations to improve the efficiency that may reduce costs of the district. The district comparison will include at least six comparable direct service school districts and may include comparable school districts utilized in the collective bargaining process by the district.

3. The Team will review job descriptions for all department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated and calculated values for any proposed position reductions or enhancements to the organizational structure.

4. The Team will evaluate the current work flow of the central office and provide recommendations for improved efficiency, if any.

5. The COE requests that the FCMAT Team complete a multi-year financial projection and cash flow analysis using the 2011-12 2nd Interim Financial Report as the base line document for the direct service district. The MYFP will include an additional scenario that includes budget assumptions with no changes to the current operations to assist the district and COE in evaluating the financial solvency and sustainability of the district's operations for the current and two subsequent fiscal years.

B. <u>Services and Products to be Provided</u>

1. Orientation Meeting - The Team will conduct an orientation session at the COE to brief COE management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.

2. On-site Review - The Team will conduct an on-site review at the COE office and at school sites if necessary.

3. Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the COE of significant findings and recommendations to that point.

4. Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.

5. Draft Reports - Electronic copies of a preliminary draft report will be delivered to the COE administration for review and comment.

6. Final Report - Electronic copies of the final study report will be delivered to the COE following completion of the review. The final report will be published on the FCMAT website. Written copies are available upon request by contacting the FCMAT office.

7. Follow-Up Support – Six months after the completion of the study, FCMAT will return to the COE, if requested, to confirm the COE's progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the COE in a FCMAT Management Letter.

3. **PROJECT PERSONNEL**

The study team will be supervised by Anthony L. Bridges, CFE, Deputy Executive Officer Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

A.	***John Von Flue***	***Fiscal Intervention Specialist***
B.	***To be Determined***	***FCMAT Consultant***
C.	***To be Determined***	***FCMAT Consultant***

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. **PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

A. $500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.

B. All out-of-pocket expenses, including travel, meals, lodging, etc. The COE will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the COE.

Based on the scope of work identified in section 2 A, estimated total cost is $8,000.

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

Payments for FCMAT services are payable to Kern County Superintendent of Schools - Administrative Agent.

5. **RESPONSIBILITIES OF THE COE**

A. The COE will provide office and conference room space while on-site reviews are in progress.

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B. The COE will provide the following (if requested):

1. A map of the local area
2. Existing policies, regulations and prior reports addressing the study request
3. Current or proposed organizational charts
4. Current and two (2) prior years' audit reports
5. Any documents requested on a supplemental listing
6. Any documents requested on the supplemental listing should be provided to FCMAT in electronic format when possible.
7. Documents that are only available in hard copy should be scanned by the district and sent to FCMAT in an electronic format.
8. All documents should be provided in advance of field work and any delay in the receipt of the requested documentation may affect the start date of the project.

C. The COE Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report. The final report will be posted on the FCMAT website.

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

6. <u>PROJECT SCHEDULE</u>

The following schedule outlines the planned completion dates for key study milestones:

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

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7. **CONTACT PERSON**

Name of contact person: Kevin Bultema, Assistant Superintendent

Telephone: (530) 532-5720 FAX: (530) 532-5759

E-mail: kbultema@bcoe.org

3-12-12

Kevin Bultema, Assistant Superintendent
Butte County Office of Education

Date

March 12, 2012

Anthony Bridges, CFE
Deputy Executive Officer
Fiscal Crisis and Management Assistance Team

Date