



Amador County Unified School District

**FCMAT Fiscal Health Risk Analysis: ACUSD Response  
November 6, 2019**

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Introduction, page 5

FCMAT Report: The Fiscal Health Risk Analysis was completed through a document study and an on-site study. The document study included hundreds of documents requested by and submitted to FCMAT between May 8, 2019 and August 29, 2019. The on-site study took place on May 23-24, 2019.

District Response:

- Simultaneously, the small ACUSD/ACOE Business Services team was developing lengthy, state required documents which were due June 2019. These documents are the Third Interim Budget Report, Third Interim Budget Revisions, and the 2019-20 Annual Budget.
- Simultaneously, proactive actions were being taken to address the findings in this report, but which are not captured in this report due to the timing of the requests and the timing of the on-site visit.

District Overview, page 6

FCMAT Report: *“The district has experienced deficit spending in the unrestricted general fund over the 2016-17 and 2017-18 fiscal years.”*

District Response:

- Deficit spending means that the expenditures are more than the revenues coming into the school system.
- Going back to the 2012-13 fiscal year, there has been a pattern of deficit spending in five of the last seven years.
- There was no deficit spending in the 2018-19 school year and no deficit spending is forecasted for the current fiscal year.

Annual Independent Audit Report, page 7

FCMAT Report: Has the district had the same audit firm for at least three years? *“Stephen Roatch Accountancy Corporation completed the 2015-16 audit and Crowe Horwath LLP completed the 2016-17 and 2017-18 audits.” (Item 1.5)*

District Response:

- A best practice in public school finance is to change auditing firms approximately every five (5) years to prevent routines or a comfortable relationship that might contribute to an ineffective or inaccurate audit.

- Stephen Roatch Accountancy Corporation was the external auditing firm from 2000 to 2016. When Dr. Slavensky arrived in Amador County in October 2016, the outgoing Board President and Interim Superintendent recommended a change in auditing firms.

Budget Development and Adoption, page 8

FCMAT Report: Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? *"The District did not provide documentation requested to support a response to this question."* (Item 2.5)

District Response:

- As a single school district county, the District's budget is approved by the California Department of Education (CDE), not by the Amador County Office of Education.
- CDE approved the District's budget without conditions in fiscal years 2016-17, 2017-18 and 2018-19.
- Documentation can be provided in letters from CDE but were not provided due to significant time constraints explained in the first section.

FCMAT Report: Does the district budget and expend restricted fund before unrestricted funds? *"The district's restricted program carryover amounts and restricted ending fund balances have increased from 2015-16 to 2017-18, indicating that the district is not strategically spending restricted funds before unrestricted funds. Carryover balances have increased in the following programs: Title 1, Title II, Part A, and Lottery Instructional Materials."* (Item 2.7)

District Response:

- Due to turnover in key cabinet level positions, some restricted programs did not have spending plans during prior fiscal years.
- Educational Services has a detailed plan in place and began spending down these carryover funds in 2018-19 and will continue spending them down in 2019-20.

Budget Monitoring and Updates, page 9

FCMAT Report: Does the district provide a complete response to the variances identified in the criteria and standards as described below? *"Status of Labor Agreements 2018-19"* (Item 3.5)

District Response:

- The district reached agreements with CSEA.
- The district was unable to reach agreements with ACTA as ACTA chose not to participate in negotiations with the district during the last three quarters of the 2018-19 fiscal year.

Budget Monitoring and Updates, page 10

FCMAT Report: Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the current and prior two fiscal years? *"The district did not provide the requested documentation to support whether deficiencies were identified and addressed."* (Item 3.6)

District Response:

- As a single school district county, the California Department of Education (CDE) has oversight of the district, not the Amador County Office of Education.

- CDE did not identify any deficiencies in fiscal years 2016-17, 2017-18 and 2018-19.
- Documentation can be provided in letters from CDE but were not provided due to significant time constraints explained in the first section.

#### Collective Bargaining Agreements, page 11

FCMAT Report: Has the district settled with all its bargaining units for the current year? *“For the 2018-19 fiscal year: A tentative agreement with the classified unit is currently under review. No formal negotiations have occurred with the certificated bargaining unit.” (Item 6.2)*

District Response:

- The district reached agreements with CSEA.
- The district was unable to reach agreements with ACTA as ACTA chose not to participate in negotiations with the district during the last three quarters of the 2018-19 fiscal year.

#### Contributions and Transfers, page 12

FCMAT Report: Does the district have a board-approved plan to eliminate, reduce, or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds? *“The district makes contributions from the unrestricted general fund to the routine restricted maintenance account (RRMA) and to a locally restricted resource. The district’s 2018-19 second interim report projects contributions to increase in the two subsequent years. The district contribution to RRMA is greater than the required amount. There is no board-approved plan to eliminate, reduce, or control any contributions/transfers.” (Item 7.1)*

District Response:

- Our school facilities are very old and need significant repair and renovation. A general obligation bond measure was put before the voters in June 2018 and failed. Had it been successful, the RRMA account would have been reduced.
- The RRMA is intentionally healthy in order to gradually address the significant facilities needs at our schools.
- On August 14, 2019, the Board of Trustees took action to approve a request to consider and study partial or complete transfer of Special Education Program, SELPA and Administrative Unit from ACOE to ACUSD jurisdiction, effective July 1, 2020. This action has the potential to significantly reduce the general fund contribution from the district to the ACOE for Special Education services.

FCMAT Report: If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance? *“The district’s 2018-19 second interim report projects a deficit of \$279,425 in Fund 11 (Adult Education), leaving a balance of \$6,409. If this level of deficit spending continues in the 2019-20 fiscal year, the fund balance will be negative. The district has not included transfers from the unrestricted general fund to Fund 11 in its multiyear projection to cover any negative fund balance.” (Item 7.2)*

District Response:

- During the 2016-17 fiscal year, some state Adult Education grant funds received through the Capitol Adult Education Regional Consortium (CAERC) were not spent in a timely manner. Some of those funds were allowed to be carried over to the next fiscal year; some were not and had to be sent back to CAERC.

- To prevent this from happening again, during the 2017-18 and 2018-29 fiscal years, the Adult Education administrators worked hard to further develop and expand program offerings and thereby spend the grant funding as it was intended, to benefit the Amador County adult community. This increased spending of grant funds has the appearance of deficit spending, but it is not. This spending follows the “use it or lose it” method.

### Deficit Spending, page 13

FCMAT Report: Is the district avoiding deficit spending in the current fiscal year? *“The district’s 2018-19 second interim report projects a deficit of \$734,616 in its combined unrestricted and restricted resources.” (Item 8.1)*

District Response:

- In 2018-19, the district had a budget surplus of \$1,177,165 in combined unrestricted and restricted resources, breaking the cycle of deficit spending and helping to rebuild the reserves.
- In 2019-20, the district is projecting a budget surplus of \$391,586 in combined unrestricted and restricted resources, further increasing reserves.

### Facilities, page 15

FCMAT Report: Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? *“No evidence was provided to verify that Williams inspections were completed.” (Item 11.6)*

District Response:

- Facilities inspections under the Williams Act are required for decile 1, 2, and 3 schools. The district does not have any schools that fall into that category; therefore, there were no required inspections of this type.
- Quarterly Williams Act reports are made to the Board of Trustees. There have been no related complaints or outstanding issues in the current or past three fiscal years.

### Fund Balance and Reserve for Economic Uncertainty, page 15

FCMAT Report: Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Funds 01 and 17) as defined by the criteria and standards? *“The district’s 2018-19 second interim report projects a reserve of 0.46%, which is below the required 3% reserve for economic uncertainties. The required reserve amount is \$1,285,269 and the projected reserves are \$195,821. The district falls short of the reserve requirement by \$1,089,448.” (Item 12.1)*

District Response:

- The district is making very good progress to maintain the minimum reserve for economic uncertainty in the current year.
- The 2018-19 third interim report, reported in June 2019 to the Board, showed a reserve of \$822,205, or 2.2%.
- The 2018-19 unaudited actuals report, reported to the Board in September 2019, showed a reserve of \$1,155,007, or 2.8%.

FCMAT Report: Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? *“The district’s 2018-19 second interim report projects a reserve of 1.39% in 2019-20, and 4.16% in 2020-21. The required minimum reserve for the district is 3%. The required reserve is*

*\$1,268,394 in 2019-20 and the district's available reserves are \$589,459, a shortfall of \$678,935. The required reserve is \$1,298,637 in 2020-21 and the district's available reserves are \$1,802,771." (Item 12.2)*

District Response:

- Yes, based on the most current information reflected in the 2019-20 adopted budget, the district is able to maintain the minimum reserve for economic uncertainty in the two subsequent years.
- The multiyear projection in the 2019-20 adopted budget shows a projected reserve of \$1,260,266, or 3.3% in the 2020-21 fiscal year.
- The multiyear projection in the 2019-20 adopted budget shows a projected reserve of \$1,982,189, or 5% in the 2021-22 fiscal year.

#### Position Control, pages 20-21

FCMAT Report: Does the district identify a budget source for each new position before the position is authorized by the governing board? *"The district did not provide evidence or documentation to substantiate that it identifies a budget source for each new position before the position is authorized by the governing board." (Item 19.4)*

District Response:

- In order for a new position to be added, the requester must submit a Request for Personnel (RFP) to a Cabinet member. The RFP must include the budget source, a cost analysis, and a justification. If the Cabinet member approves the request, he/she takes the request to a Cabinet meeting. The full Cabinet must approve the request before it is taken to the governing board for approval.
- This is a codified process with forms and a written procedure to support it. The forms have been provided to all school and district administrators and are available upon request.

FCMAT Report: Does the governing board approve all new positions and extra assignments (e.g. stipends) before positions are posted? *"The district did not provide evidence or documentation to substantiate that the governing board approves all new positions and extra assignments before positions are posted." (Item 19.5)*

District Response:

- All new positions are approved by the governing board. The process includes a request for board approval of new job descriptions. Evidence exists in many past Board of Trustees meeting agendas posted at <https://amadorcoe.org/school-board/>.
- Extra assignments and stipends are approved by the governing board through the board approved collective bargaining agreements.

FCMAT Report: Has the district adopted staffing ratios for certificated, classified, and administrative positions in the past three years, and is the district following these ratios? *"Staffing ratios for teachers are included in the bargaining agreement but have not been adopted for classified and administrative positions. Staffing ratios for teachers are not being followed as class sizes are well below the agreed-upon maximums at most schools." (Item 19.6)*

District Response:

- The implementation and monitoring of staffing ratios for teachers has greatly improved during the past three years with class sizes approaching or reaching capacity in most locations. Where

small ratios still exist, this is due to the dilemma of small schools and associated challenges with flexibility and necessary course offerings.

- Staffing ratios for classified and administrative positions were developed and codified during the 2018-19 school year, and presented to the governing board and the LCAP Advisory Committee during LCAP development season (January - May 2019).
- The document is called “Definition of LCFF Base, Staffing Plan, and Potential LCAP Support” and is available upon request.

#### Summary, page 22

FCMAT Report: *“The district does not have a process to ensure that one-time revenues are not committed to ongoing expenditures.”*

District Response:

- This was true with the previous administration. The current administration spends one-time funds on expenditures that are not on-going, such as equipment and supplies.
- The current administration is still making adjustments to address the problem of past one-time funds being used for ongoing expenses, such as employee raises.

FCMAT Report: *“The district does not review and adjust staffing based on enrollment. A review of class sizes at each of the districts’ schools found that class size is well under the agreed-upon maximum at most schools especially at the junior high and high school levels.”*

District Response:

- The implementation and monitoring of staffing ratios for teachers has greatly improved during the past three years with class sizes approaching or reaching capacity in most locations. Where small ratios still exist, this is due to the dilemma of small schools and associated challenges with flexibility and necessary course offerings.
- The district does review and adjust staffing based on enrollment. This happens annually beginning in January as the administration begins to plan for the next fiscal year. This is evidenced in (a) the master schedule development process at the junior high and high school levels, (b) close monitoring of enrollment, and (c) allocation of FTE based on enrollment at all levels.

For more information about current and past financial information, members of the public may access five (5) FAQs and all pertinent financial documents (such as the Interim Budget Reports, the Adopted Budgets, and the ACUSD Cost Savings Plan Submitted to CDE in March 2019) at:

<https://amadorcoe.org/departments/business/financial-reports/>

<https://amadorcoe.org/departments/business/frequently-asked-questions-3/>