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May 10, 2024

Dr. Daisy Morales
Superintendent
Live Oak School District
984-1 Bostwick Lane
Santa Cruz, CA 95062

Re: Negative Certification of First Interim Report

Dear Superintendent Morales,

I am writing in response to your letter of May 8, 2024, to clarify a number of misstatements and misunderstandings that, regrettably, risk adding to confusion around Live Oak School District's budget.

As County Superintendent of Schools, my commitment is first and foremost to our students and families. Part of this obligation involves ensuring that school districts are on a course to maintaining fiscal stability and solvency, including by changing a district's budget certification when necessary, pursuant to Education Code 42131.

While I respect your right to a personal view on this matter, it is my determination that LOSD's First Interim Budget was appropriately changed from qualified to negative status. This determination is further affirmed by Fiscal Crisis and Management Assistance Team (FCMAT) Chief Executive Officer Michael H. Fine, who was consulted in our review and has written a separate letter, attached, responding to your letter of May 8, 2024. As Mr. Fine writes, the downgrade to negative certification was justified "without question."

LOSD's First Interim Budget projected the District would be unable to meet its financial obligations for the 2024-25 school year. The factual basis for this finding was outlined in the attached letter of Jan. 10, 2024, from Deputy Superintendent of Business Services, Liann Reyes. Identified issues included LOSD's projected lack of state-mandated reserves for the 2024-25 and 2025-26 fiscal years, low projected cash balances, and projected deficit spending leading to a budget shortfall of about \$4 million by 2025-26. Underscoring these issues, the district lacked a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency.

Budget certification is based on an evaluation of not 5 but 10 criteria, as outlined in Title 5 of the California Code of Regulations, Sections 15453-15466. These criteria must be evaluated against standards as part of a holistic assessment of fiscal stability and health. A negative certification indicates that, based on a district's current projections, the district will be unable to meet its financial obligations for the remainder of the current fiscal year or subsequent fiscal year. Based on these criteria, a negative certification was not only warranted, but necessary.

I was particularly concerned to read in your letter a claim of a factual inaccuracy in the Santa Cruz COE's Jan. 10, 2024, determination. However, I have reviewed this with my staff and have not been able to identify any factual inaccuracy. As stated in the Jan. 10, 2024, letter, the cash balance issue involved LOSD's projected, as opposed to current, cash balances for the 2024-25 fiscal year. LOSD projected it would end five of 12 months in 2024-25 with less than \$200,000 in cash in its general fund, including one month with just \$48,494. This is of particular concern given LOSD's average monthly expenses of \$2.5 million, providing a razor-thin margin for unexpected expenses. While borrowing from other funds can temporarily mitigate this risk, it is unsustainable. Adding further concern to our review process, LOSD district has not consistently reconciled its accounts held by the county treasurer, and did not submit its audit for the 2022-23 fiscal year until months after the statutory deadline of December 15, 2023.

In no sense is it accurate to state my office "jumped" to this determination. Rather, it was based on a comprehensive and multi-level review. It involved fiscal analysts working through a standardized process, additional review from our Executive Director of Fiscal Services, review by our Deputy Superintendent of Business Services, and ultimately, by myself as County Superintendent. In light of the issues identified, the COE proactively requested that FCMAT review our findings as an added layer of diligence. As summarized in Mr. Fine's letter, FCMAT reviewed and affirmed our findings, including our intention to change the budget certification to negative, prior to our determination.

LOSD's fiscal stability issues did not begin on January 10, 2024. The Santa Cruz COE has repeatedly cautioned LOSD as to the risks of deficit spending amid declining enrollment, including in January, 2023 in our response to the District's First Interim Report of that prior year, stating: "The district's projected deficit spending is NOT within the established state standard for the 2022-23 budget year. The district is strongly cautioned against ongoing deficit spending, other than one-time, planned expenditures. ... Due to the projected rapid decline in unrestricted ending fund balance and the projected loss of ADA, the district is advised to identify and implement solutions to resolve the ongoing deficit." I have also raised these issues to you personally, as you are aware.

The Fiscal Health Risk Analysis, conducted by FCMAT and released on May 6, 2024, further affirms my determination. FCMAT concluded in its report, that LOSD is at "high risk" of fiscal insolvency. The report identifies a number of issues and inadequacies in current, and past, fiscal practices. Measures implemented by the District as part of the Fiscal Stabilization Plan take essential steps to address the short-term risks of insolvency. However, serious challenges remain, particularly amid high levels of staff turnover and continued declines in enrollment.

While I appreciate that you have a different view of these matters, I regret that rather than appealing my decision or discussing this with me directly, you instead opted to disseminate a letter that misleads the LOSD school community.

Regardless, the Santa Cruz COE has and will continue to support the LOSD school community and LOSD Board of Education during this moment of instability and transition, and beyond. LOSD is filled with caring and committed families and educators, many of whom have made their voices heard in recent months, and I have full confidence the district will overcome these challenges and continue to empower, inspire, and create equitable opportunities for every student to thrive.

Yours in education and equity,



Dr. Faris Sabbah

County Superintendent of Schools

CC: Ms. Kristin Pfotenhauer, Board President, Live Oak School District
Mr. Jeremy Ray, Board Trustee, Live Oak School District
Ms. Felicita Rasul, Board Trustee, Live Oak School District
Ms. Marlize Velasco, Board Trustee, Live Oak School District
Liann Reyes, Deputy Superintendent, Santa Cruz COE
Michael H. Fine, Chief Executive Officer, FCMAT

Attachments:

- Letter of FCMAT CEO Michael H. Fine - May 10, 2024
- 2023-24 First Interim Financial Report Review for Live Oak School District - Jan. 10, 2024
- 2022-23 First Interim Financial Report Review for Live Oak School District - Jan. 13, 2023



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

May 10, 2024

Dr. Faris Sabbah
County Superintendent of Schools
Santa Cruz County Office of Education
400 Encinal Street
Santa Cruz, CA 95060

Re: Live Oak School District
Negative Certification of 2023-24 First Interim Report

Dear Dr. Sabbah:

You and your staff sought counsel from the Fiscal Crisis and Management Assistance Team (FCMAT) in early January 2024 regarding the 2023-24 first interim report submitted by the Live Oak School District (district). You specifically sought counsel on the county superintendent's responsibilities and authority regarding options on how best to respond to the district's financial condition as represented by the district's first interim report. You have also provided the district's May 8, 2024, letter addressed to you questioning the downgrade of the district's first interim certification from qualified to negative. You are now seeking clarification from FCMAT on the standards and practice that are employed by county superintendents in concurring or not concurring with district certifications of interim reports, and any other points of clarity from FCMAT. I am pleased to review the context of my thought process in January as we jointly discussed options.

The interim reporting process is integral to the system created in 1991 by the enactment of Assembly Bill 1200 (Chapter 1213/1991) to ensure school fiscal stability through evaluation and oversight of school district financial data throughout the fiscal year, and with sufficient time to effectuate change (the early warning aspect of system). Interim reports include a variety of forms that focus on the original and revised annual budget, cash flow, enrollment and attendance, multiyear financial projections and compliance with the adopted criteria and standards for fiscal stability. The interim reports, compared to the adopted budget, also include a certification by the local governing board of the district's ability, or lack thereof, to meet all its financial obligations.

California Education Code Section 42131(c) defines the required certifications.

These certifications shall be based upon the financial and budgetary reports required by Section 42130 but may include additional financial information known by the governing board of the school district to exist at the time of each certification. For purposes of this subdivision, a negative certification shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years... (emphasis added).

Given the set of facts shared with FCMAT in our January conversation, the county superintendent of schools had two appropriate options. One was to downgrade the district's certification from qualified to negative. The second option was to designate the district as a lack of going concern following the statutory process outlined in Education Code Section 42127.6. The distinction in this case was relatively minor and would have resulted in essentially the same outcome, except that the negative certification could be resolved and updated to positive or qualified at the 2023-24 second interim report in April 2024, while the lack of going concern designation would remain until the county superintendent approved the district's subsequent year budget in September 2024. In fact, the district self-certified positive at second interim in March 2024, and the county superintendent concurred in April 2024, resolving the negative certification and affirming a positive certification.

A negative certification is most frequently associated with cash flow issues. A lack of going concern designation is more frequently associated to a broader list of concerns, including budget, cash flow, enrollment/attendance, deficit spending, leadership gaps, debt, and contributions to restricted programs, among others. A negative certification may only be made in response to a first or second interim report. A lack of going concern designation may be made at any time during the fiscal year. The timing of the identification of a potential immediate cash flow problem for the district during the interim report evaluation period is appropriately addressed through a negative certification.

The county superintendent's role is to respond to what the district submitted by evaluating the information and concurring or not concurring with the self-certification of the district's board of education. Education Code Section 42131(2)(A) provides in part:

If a county office of education receives a positive certification when it determines a negative or qualified certification should have been filed, or receives a qualified certification when it determines a negative certification should have been filed, the county superintendent of schools shall change the certification to negative or qualified, as appropriate... (emphasis added).

One of the primarily distinguishing characteristics between a qualified and a negative certification of an interim report is the district's projected cash flow and cash position for the next 18 months (the remainder of the current fiscal year and the following fiscal year). The district reported that its 2024-25 general fund monthly cash position in seven of the last nine months of the year would be below \$600,000, with one month at a mere \$48,494 and four other months below \$200,000. While positive, a

projected month end cash balance of less than \$600,000 for its general fund is extremely low, especially when you take into consideration that the district's average monthly payroll totals for the same nine-month period are approximately \$2 million.

The district's alternative liquidity sources on October 31, 2023 (the end of the first interim period) were healthy. However, 80% of these alternative liquidity sources are restricted funds and temporary borrowing from these funds may be a questionable practice.

Cash positions can deteriorate very rapidly, especially when you take increasing deficit spending and other signs of fiscal distress into consideration. Additionally, insufficient cash to meet payroll is the definition of insolvency in a California school district. As appropriate, this district-provided projection of its cash flow was a major influence on the decision in January to downgrade the interim report certification.

In the district's first interim report, the district leadership and governing board acknowledged resource shortfalls that result in unrestricted deficits growing from \$23,774 in 2024-25 to over \$3.2 million in 2025-26. This results in less than the required unassigned fund balance for reserves for the first subsequent fiscal year (2024-25) and a negative unrestricted fund balance of over \$3 million in the second subsequent fiscal year (2025-26). For both years, the district offers no detailed or reasonable mitigating measures. This two-year deficit spending is after interfund transfers of one-time funds to the general fund of over \$3 million. This results in the need for potentially \$6 million of mitigating measures in an unrestricted budget of approximately \$17 million, or 35%. At a minimum, these circumstances justified a qualified certification, but given the total context of which the district was operating at the time (further explored below) and the lack of any reasonable plan to reduce and/or eliminate deficit spending, the more appropriate certification was negative.

In her letter sent on or around January 10, 2024 (January 10 letter), the county superintendent's deputy superintendent identified a number of other considerations, including a lower cost of living adjustment rate, a decreasing unduplicated pupil percentage and declining average daily attendance. All three of these factors have adverse effects on the district's projected unrestricted revenues. At first interim, collective bargaining with the classified employee unit was still an open matter representing risk to total expenditures in the three-year reporting period. Each of these, and collectively all of them, without corrective action significantly added to the risk of further financial distress and potential insolvency.

Fund balance is influenced by auditor restatements and any failure to comply with state or federal requirements. Both types of fund balance adjustments are shown in the district's annual independent audit. Pursuant to Education Code 41020, the audit for the most recent fiscal year (2022-23) was due December 15, 2023. It is not a coincidence that this is also the due date for first interim reports. The district did not comply with this requirement, instead submitting their audit dated February 22, 2024, after the statutory deadline and outside of the evaluation period of the first interim report. As such, the beginning fund balance for the current 2023-24 fiscal year was unverified, as was the potential for any audit adjustments due to errors or non-compliance. This increases the district's fiscal risk significantly. It should also be noted that the 2021-22 audit was over eight months delinquent.

Without question, the context of information reported by the district at first interim and available to the county superintendent at the time of the downgrade from qualified to negative justified a negative certification. The financial and budgetary reports submitted by the district as required by statute tell a story of a rapidly increasing condition of fiscal distress. The governing board of the district did not offer any additional or other mitigating information. The county superintendent had a responsibility to act.

The county superintendent's identified intervention was appropriate at the time and gave the district clear direction to develop a preliminary financial recovery plan by February 1, 2024. The county superintendent would have the authority to increase the level of intervention to ensure that the district could meet its financial obligations if the initial intervention proved to be insufficient. The legislatively created process for intervention is intended to be as minimal and effective as needed, and only progress in intensity as warranted. It is much like a multitier system of support process that we use with students that require intervention. The county superintendent of schools' January 10 letter informing the district of the change in certification cited various intervention options as provided for in statute, but only identified the two actions it required. This approach retained local control and accountability within the district, while still conveying that the completeness and timeliness of the required corrective action was essential to stabilize the district and meet the needs of the community's students.

The county superintendent of schools' action to downgrade the district's first interim report certification triggered FCMAT to perform a Fiscal Health Risk Analysis (FHRA) of the district. The FHRA has been completed and is dated May 6, 2024. The FHRA assigns a fiscal health risk factor of 40.3% and designates the district as high risk. This evaluation is cited in Education Code Section 46127.6, which reads in part:

The county superintendent shall review and consider studies, reports, evaluations, or audits of the school district that contain evidence that the school district is demonstrating fiscal distress under the standards and criteria adopted in Section 33127 or that contain a finding by an external reviewer that the school district is at moderate or high risk of intervention based on the most common indicators of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team (emphasis added).

FCMAT served in the role of external reviewer and has determined the district is at high risk based on the evidence that existed at the first interim report. The Fiscal Health Risk Analysis recently released by FCMAT supports the validity of, and reenforces, the county superintendent's determination.

The district superintendent's May 8, 2024, letter ignores the fact that the district prepared and submitted its first interim report under the direction of the district superintendent and with the approval of the board of education (vote was 3-0 in favor, with two members absent). Furthermore, if the district felt the county superintendent's determination was in error they should have appealed the decision to the state superintendent of public instruction.

Dr. Faris Sabbah
May 10, 2024
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Education Code Section 42131(2)(A) provides in part:

No later than five days after a school district receives notice from the county superintendent of schools of a change in the school district's certification to negative or qualified, the governing board of the school district may submit an appeal to the Superintendent regarding the validity of that change..." (emphasis added).

The district's governing board accepted the change in certification to negative by virtue of a lack of appeal.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael H. Fine".

Michael H. Fine
Chief Executive Officer



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January 10, 2024

Ms. Kristin Pfothenhauer
President, Governing Board
Live Oak School District
1974 Encina Drive
Santa Cruz, CA 95062

RE: 2023-24 First Interim Financial Report Review for Live Oak School District

Dear President Pfothenhauer,

In accordance with California Education Code (EC) Section 42131, our office has reviewed the district's first interim financial report for the period ending October 31, 2023. The governing board made a qualified certification that the district may not be able to meet its financial obligations for the current and two subsequent fiscal years.

The Santa Cruz County Superintendent of Schools is invoking his authority under EC Section 42131(a)(2) and changing the district's certification from qualified to **negative**. The county superintendent has notified the California Department of Education of this action. Based on the analysis of the information submitted, the county superintendent has determined that the district will not meet its financial obligations in the **subsequent** fiscal year, 2024-25, for the following reasons:

- *Cash* – Based on the information provided by the district, the district is projecting positive cash balances at the end of each month in both the 2023-24 and 2024-25 fiscal years. In 2024-25, the district is projecting to end five of the twelve months with less than \$200,000 in cash. The degradation of ending fund balance seriously hampers the district's ability to meet its cash obligations. The district does not have an adequate reserve balance to offset any revenue shortfalls or unexpected expenditures the district may experience. An average month's expense is approximately \$2.5 million.
- *Budget Shortfalls* – The multiyear financial projections the district submitted with the First Interim report do not include any mitigating measures. As such, in fiscal year 2024-25 the district is projecting an unrestricted ending fund balance in the general fund of \$109,545, which does not cover the state required reserve for economic uncertainty of \$854,105. The district is projecting to use nearly all of the set aside in Fund 17, Special Reserve for Other than Capital Outlay in fiscal year 2024-25. In fiscal year 2025-26, the district is projecting an unrestricted ending fund balance of negative \$4,011,571 including the \$863,197 state required reserve for economic uncertainty. Although the one-time funding is ending and the district is experiencing declining enrollment, the district did not project to reduce any positions in the budget. A board approved Fiscal Stabilization plan will need to be provided, addressing the declining enrollment and reductions in one-time funding (see below).
- *Operating Deficit* – Multiyear financial projections indicate substantial restricted general fund operating

deficits for the current and two subsequent fiscal years, without any reductions, resulting in a substantial increase in the contribution from the unrestricted general fund to support the expiring programs. As the unrestricted general fund does not have adequate balances in order to continue to contribute to restricted programs, a fiscal stability plan targeting restricted expenses is crucial.

- *Ending Fund Balance* – The district’s trend of deficit spending results in an unrestricted ending fund balance of **negative \$4,011,571** in 2025-26.
- *Declining Enrollment* – The district’s projections indicate declining enrollment for the current and two subsequent fiscal years.

Implications of Negative Certification

For any school district having a negative certification, EC Section 42127.6 requires that the county superintendent do at least one of the following, and all actions necessary, to ensure that the district meets its financial obligations:

- Assign a fiscal expert, paid for by the county superintendent, to advise the district on its financial problems.
 - *We do not anticipate this action will be required at this time.*
- Conduct a study of the financial and budgetary conditions of the district, including, but not limited to, a review of internal controls.
 - *We do not anticipate this action will be required at this time.*
- Direct the school district to submit a financial projection of all fund and cash balances as of June 30 for the current and subsequent fiscal year.
 - *The county superintendent requires a detailed Fiscal Stabilization Plan (see below). The county superintendent reserves the right to require a 3rd Interim report.*
- Require the district to encumber all contracts and other obligations, to prepare appropriate cash flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.
 - *The district is hereby directed to take the above actions. Further, the district is hereby directed to review and adjust all budget lines as necessary to eliminate the budget line deficits.*
- Direct the district to submit a **proposal for addressing the fiscal conditions** that resulted in the determination that the district may not be able to meet its financial obligations.
 - *The county superintendent is requiring the submission of a preliminary financial recovery plan **by February 1, 2024**. Refer to the Fiscal Stabilization section, later in this letter, for specific details.*
- Withhold the compensation of governing board members and the district superintendent for failure to provide requested financial information.
 - *We do not anticipate this action will be required at this time.*
- Assign the Fiscal Crisis and Management Assistance Team (FCMAT) to review and provide recommendations on the district’s teacher hiring practices, teacher retention rate, provision of highly qualified teachers, and extent of teacher mis-assignments.

- *FCMAT will be coordinating with the county superintendent to provide a Fiscal Health Risk Analysis on the district, of which this may be included.*

In addition, the district's negative certification results in the following requirements under current law.

Non-Voter Approved Debt – Because the district has a negative certification, EC Section 42133 prohibits the district from issuing non-voter-approved debt (e.g., certificates of participation, capital leases, and TRANs) in 2023-24 and 2024-25, unless the county superintendent determines that the district's repayment is probable. Please submit a non-voter-approved debt disclosure to our office at least 30 days prior to the governing board's approval to proceed with all non-voter-approved debt issuance, excluding TRANs. For TRANs, please contact our office for a list of requirements.

Employee Negotiations – Government Code Section 3540.2(a) requires a school district that has a qualified or negative certification to allow the county superintendent of schools at least 10 working days to review and comment on any proposed collective bargaining agreement. Therefore, please provide us any forthcoming agreements or re-openers within this timeframe, along with a signed certification by the district superintendent and chief business official that the district can fulfill the agreement's costs.

Material Event Disclosure – A negative financial certification may be considered a material event that requires disclosure to bondholders. We recommend that the district consult with its bond counsel regarding continuing disclosure requirements as set forth by the Securities and Exchange Commission (SEC). Failure to comply with SEC regulations may result in enforcement action including, but not limited to, financial sanctions.

Other Key Assumptions

Our review of the district's interim report focused on the key assumptions listed below.

Average Daily Attendance (ADA) – The district's estimated funded ADA for the current fiscal year is 1,5000.27 which is based on the three prior year average. For the 2024-25 and 2025-26 fiscal years, the district projects funded ADA of 1,439.59 and 1,397.06 which are decreases of 61 and 43. Because the district's ADA is declining, and attendance is the basis for a majority of unrestricted, Special Education and other revenues, the Santa Cruz County Office of Education (COE) strongly recommends that the district monitor attendance changes closely and adjust its multiyear financial projections accordingly.

Enrollment – As enrollment is the basis for ADA, it is critical to ensure that it is as accurate as possible to result in dependable ADA forecasts.

Local Control Funding Formula (LCFF) – The district has incorporated funding as authorized in the final 2023-24 state budget by using the estimated COLA of 3.94% for 2024-25 and 3.29% for 2025-26. Per the Legislative Analyst's Office, the 2024-25 COLA is now estimated at 1.27%. Should the state COLA be reduced to this level, the district could see a loss in LCFF revenue of approximately \$450,000 per year for 2024-25 and 2025-26. The Governor's budget for 2024-25 will be released on January 10, 2024, and will provide updated COLA amounts for both 2024-25 and 2025-26. This assumption should be used when calculating LCFF revenues for the district's 2nd Interim report. However, the COE recommends a contingency plan should LCFF funding not materialize as projected.

Unduplicated Pupil Percentage – The district reports a projected funded unduplicated pupil percentage of 63.11% for 2023-24, 61.95% for 2024-25 and 62.86% 2025-26. The district's unduplicated pupil percentage included in the 2022-23 P-2 certification by the California Department of Education is 63.59%. Any decline in this ratio could result in a loss of funding.

Unrestricted Deficit Spending – The district's multiyear financial projections indicate unrestricted deficit

spending of \$298,364 in 2023-24, \$23,774 in 2024-25 and \$3,257,919 in 2025-26. As noted above, any change in the COLAs for the next two years could negatively impact the district and further exacerbate the deficit spending levels. The district's unaudited unrestricted deficit in the 2022-23 fiscal year was \$1,214,174. Continued unrestricted deficit spending cannot be sustained and will result in a deterioration of the district's fiscal condition.

Planned Reductions – The district's unrestricted multiyear financial projections do not show any substantive reductions for either fiscal year 2024-25 or 2025-26. While we note a reduction in costs for extra work hours on the restricted side of the budget, there are no ongoing personnel reductions tied specifically to the exhaustion of one-time dollars or declining ADA. Due to the magnitude of one-time federal dollars, which were in excess of \$8 million, the unrestricted budget does not have the funding available to absorb the on-going costs associated with these dollars.

Employee Negotiations – The district reported that certificated salary and benefit negotiations are complete for the 2023-24 fiscal year with no reopeners; however, the classified bargaining unit has not settled for the 2023-24 fiscal year.

Cash

The COE strongly recommends that the district continue to closely monitor its cash in *all funds* to ensure that sufficient resources are available. In addition, the COE strongly advises the district to consult with legal counsel and independent auditors before using *Cafeteria Special Revenue Fund (Fund 13)*, *Capital Facilities Fund (Fund 25)* and *Mello-Roos (Fund 49)* for temporary interfund borrowing to remedy cash shortfalls. Please note that cash projections as well as fund balance projections can drive a district to qualified or negative certification status. Frequently, it is the lack of cash that generates the non-positive certification.

Long-Term Commitments

Our review included an analysis of the district's non-voter-approved debt. The following chart summarizes the district's long-term commitments, excluding general obligation bonds, compensated absences, and other post-employment benefits for retirees.

Type of Commitment*	Balance 06/30/2022	2022-23 Payment	Funding Source
Certificate of Participation	\$12,235,763	\$265,000	Capital Facilities Fund
Total	\$12,235,763	\$265,000	
*Figures taken from the 2021-22 Audit Report.			

Other Post-Employment Benefits (OPEB) Liability

The district provides health benefits to retired employees who have met certain eligibility requirements through a single-employer defined benefit plan. According to the district's criteria and standards document, the district

has a liability for other post-employment benefits (OPEB) of \$1,952,213 based on its latest actuarial report for the period ended June 30, 2023. The estimated pay-as-you-go amounts are \$46,983 in the current year, \$70,605 in 2024-25 and \$97,045 in 2025-26. GASB statements 74 and 75 became effective in 2017-18 so the entire net liability is now recorded in the district's financial statements.

Additional Fiscal Indicators

In the District Certification of Interim Report (SACS Form CI), the district has identified several fiscal indicators that can point to fiscal instability per the Fiscal Crisis and Management Assistance Team (FMCAT) guidelines; these include declining enrollment, deficit spending, reserves and changes to either Superintendent or CBO.

Fiscal Stabilization Plan

The COE is requiring the district to submit a preliminary, high-level, fiscal stabilization plan **by February 1, 2024**, that addresses, in a summary level format, the district's path to budget recovery. The plan must include, but is not limited to, how the district will identify and implement solutions to resolve the ongoing deficit. No later than **March 15, 2024**, the Board Approved, final detailed plan must be submitted to the COE along with the 2nd Interim report. Components of the plan must be incorporated at the detail level into the district's 2nd Interim financial report.

In addition, the district is required to submit an updated cash flow projection for both 2023-24 and 2024-25 **by February 16, 2024**, that ties to the most current operating budget.

2022-23 Audit

Chavan and Associates had requested an extension for completion of the 2022-23 audit until January 31, 2024. While this extension has been granted by the State Controller's Office, please notify Chavan and Associates that due to the negative certification for First Interim, additional extensions will not be granted. Delivery of the audit to the COE is expected on January 31, 2024.

Conclusion

We acknowledge that the district has had some challenges over the past several years that include turnover of key positions in the business department, and most recently a vacancy in the Chief Business Official (CBO) position. While we acknowledge that it is often difficult to find highly trained personnel, this position has now experienced three people in three years that are new to the position of CBO. As shown by the fiscal indicators in the criteria and standards, stability in this position is key. We strongly recommend the district provide a mentor for this position to further expand the knowledge and skills necessary to ensure the district's success.

The district has significant decisions to make in order to remain fiscally solvent. We encourage the district to engage in meaningful and transparent dialogue with its stakeholders.

The Fiscal Crisis & Management Assistance Team can engage automatically with a Local Education Agency (LEA) to conduct a fiscal health risk analysis (FHRA) to determine the LEA's level of risk, if the LEA has any of the following:

- A disapproved budget
- A negative interim report certification
- Three consecutive qualified interim report certifications
- A downgrade of an interim certification by the county superintendent
- A "lack of going concern" designation

The automatic engagement will be coordinated with the county superintendent of schools, and when it occurs it will build upon the county superintendent's oversight processes and activities. There is no cost to the district or the county superintendent when automatic engagement occurs.

In accordance with EC Section 42131(a)(2), the governing board of the district may, within five days of receipt of this letter, submit an appeal to the Superintendent of Public Instruction regarding the changed certification. The Superintendent of Public Instruction will determine the certification to be assigned to the district no later than 10 days after receiving the appeal.

Sincerely,



Liann Reyes
Deputy Superintendent, Business Services

LR/rmh

Encl.

c:

Dr. Faris Sabbah, County Superintendent of Schools
Mr. Michael Fine, Chief Executive Officer, Fiscal Crisis & Management Assistance Team
Mr. Tony Thurmond State Superintendent of Public Instruction, California Department of Ed
Ms. Malia M. Cohen, California State Controller's Office
Dr. Daisy Morales, Superintendent, Live Oak School District
Mr. Hanwool Kim, Assistant Superintendent, Business Services, Live Oak School District
Mr. Jeremy Ray, Trustee, Live Oak School District
Ms. Marlize Velasco, Trustee, Live Oak School District
Ms. Felicita Rasul, Trustee, Live Oak School District
Mr. Paul Garcia, Trustee, Live Oak School
Ms. Rebecca Olker, Executive Director, Fiscal Services, Santa Cruz County Office of Education

State of California
EDUCATION CODE
Section 42127.6

42127.6. (a) (1) A school district shall provide the county superintendent of schools with a copy of a study, report, evaluation, or audit that was commissioned by the school district, the county superintendent, the Superintendent, and state control agencies and that contains evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the school district by the County Office Fiscal Crisis and Management Assistance Team. The county superintendent shall review and consider studies, reports, evaluations, or audits of the school district that contain evidence that the school district is demonstrating fiscal distress under the standards and criteria adopted in Section 33127 or that contain a finding by an external reviewer that the school district is at moderate or high risk of intervention based on the most common indicators of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team. If these findings are made, the county superintendent of schools shall investigate the financial condition of the school district and determine if the school district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or should receive a qualified or negative interim financial certification pursuant to Section 42131. If at any time during the fiscal year the county superintendent of schools determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification pursuant to Section 42131, the county superintendent of schools shall provide a written notice of going concern determination to the governing board of the school district and the Superintendent and the basis for the determination. The notification shall include the assumptions used in making the determination and shall be available to the public. The county superintendent of schools shall report to the Superintendent on the financial condition of the school district and the county superintendent's proposed remedial actions and shall do at least one of the following and all actions that are necessary to ensure that the school district meets its financial obligations:

(A) Assign a fiscal expert, paid for by the county superintendent of schools, to advise the school district on its financial problems.

(B) Conduct a study of the financial and budgetary conditions of the school district that includes, but is not limited to, a review of internal controls. If, in the course of this review, the county superintendent of schools determines that the county superintendent's office requires analytical assistance or expertise that is not available through the school district, the county superintendent of schools may employ, on a short-term basis, with the approval of the Superintendent, staff, including certified public accountants, to provide the assistance and expertise. The school district shall pay 75 percent and the county office of education shall pay 25 percent of these staff costs.

(C) Direct the school district to submit a financial projection of all fund and cash balances of the district as of June 30 of the current year and subsequent fiscal years as the county superintendent of schools requires.

(D) Require the district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.

(E) Direct the school district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the school district may not be able to meet its financial obligations.

(F) Withhold compensation of the members of the governing board of the school district and the school district superintendent for failure to provide requested financial information. This action may be appealed to the Superintendent pursuant to subdivision (b).

(G) Assign the County Office Fiscal Crisis and Management Assistance Team to review teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher misassignment in the school district, to provide the school district with recommendations to streamline and improve the teacher hiring process, teacher retention rate, extent of teacher misassignment, and provision of highly qualified teachers, and to perform any or all of the duties prescribed in subparagraphs (A) to (C), inclusive, or to further review the causes that led to a finding of moderate or high risk of intervention pursuant to subdivision (a) and recommend corrective action. If a review team is assigned to a school district, the school district shall follow the recommendations of the team, unless the school district shows good cause for failure to do so. The County Office Fiscal Crisis and Management Assistance Team may not recommend an action that would abrogate a contract that governs employment.

(2) Any contract entered into by a county superintendent of schools for the purposes of this subdivision is subject to the approval of the Superintendent.

(3) An employee of a school district who provides information regarding improper governmental activity, as defined in Section 44112, is entitled to the protection provided pursuant to Article 5 (commencing with Section 44110) of Chapter 1 of Part 25.

(b) Within five days of the county superintendent of schools making the determination specified in subdivision (a), a school district may appeal the basis of the determination and any of the proposed actions that the county superintendent of schools has indicated that the county superintendent of schools will take to further examine the financial condition of the school district. The Superintendent shall sustain or deny any or all parts of the appeal within 10 days.

(c) If, after taking the actions identified in subdivision (a), the county superintendent of schools determines that a school district will be unable to meet its financial obligations for the current or subsequent fiscal year, the county superintendent of schools shall notify the governing board of the school district, the superintendent of the school district, each recognized employee organization of the school district, each recognized parent organization of the school district, the Superintendent of Public Instruction, and the president of the state board or the president's designee in writing of that determination and the basis for that determination. The notification shall include the assumptions used in making the determination.

(d) Within five days of the county superintendent of schools making the determination specified in subdivision (c), a school district may appeal that determination to the Superintendent. The Superintendent shall sustain or deny the appeal within 10 days. If the governing board of the school district appeals the determination, the county superintendent of schools may stay any action of the governing board of the school district that the county superintendent of schools determines is inconsistent with the ability of the school district to meet its financial obligations for the current or subsequent fiscal year until resolution of the appeal by the Superintendent.

(e) If the appeal described in subdivision (d) is denied or not filed, or if the school district has a negative certification pursuant to Section 42131, the county superintendent of schools, in consultation with the Superintendent, shall take at least one of the actions described in paragraphs (1) to (5), inclusive, and all actions that are necessary to ensure that the school district meets its financial obligations and shall make a report to the Superintendent and the president of the state board or the president's designee about the financial condition of the school district and remedial actions proposed by the county superintendent of schools.

(1) Develop and impose, in consultation with the Superintendent and the governing board of the school district, a budget revision that will enable the school district to meet its financial obligations in the current fiscal year.

(2) Stay or rescind any action that is determined to be inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year. This includes any actions up to the point that the subsequent year's budget is approved by the county superintendent of schools. The county superintendent of schools shall inform the governing board of the school district in writing of the county superintendent's justification for any exercise of authority under this paragraph.

(3) Assist in developing, in consultation with the governing board of the school district, a multiyear financial recovery plan that will enable the school district to meet its future obligations.

(4) Assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year. If necessary, the county superintendent of schools shall continue to work with the governing board of the school district until the budget for the subsequent year is adopted by the governing board of the school district and approved by the county superintendent of schools.

(5) As necessary, appoint a fiscal adviser to perform any or all of the duties prescribed by this section on behalf of the county superintendent of schools.

(f) Any action taken by the county superintendent of schools pursuant to paragraph (1) or (2) of subdivision (e) shall be accompanied by a notification that shall include the actions to be taken, the reasons for the actions, and the assumptions used to support the necessity for these actions.

(g) This section does not authorize the county superintendent of schools to abrogate any provision of a collective bargaining agreement that was entered into by a school district before the date that the county superintendent of schools assumed authority pursuant to subdivision (e).

(h) The school district shall pay 75 percent and the county office of education shall pay 25 percent of the administrative expenses incurred pursuant to subdivision (e) or costs associated with improving the school district's financial management practices. The Superintendent shall develop and distribute to affected school districts and county offices of education advisory guidelines regarding the appropriate amount of administrative expenses charged pursuant to this subdivision.

(i) Notwithstanding Section 42647 or 42650 or any other law, a county treasurer shall not honor any warrant if, pursuant to Sections 42127 to 42127.5, inclusive, or pursuant to this section, the county superintendent of schools or the

Superintendent, as appropriate, has disapproved that warrant or the order on school district funds for which a warrant was prepared.

(j) Effective upon the certification of the election results for a newly organized school district pursuant to Section 35763, the county superintendent of schools may exercise any of the powers and duties of this section regarding the reorganized school district and the other affected school districts until the reorganized school district becomes effective for all purposes in accordance with Article 4 (commencing with Section 35530) of Chapter 3 of Part 21.

(k) The Superintendent shall monitor the efforts of a county office of education in exercising its authority under this section and may exercise any of that authority if the Superintendent finds that the actions of the county superintendent of schools are not effective in resolving the financial problems of the school district. Upon a decision to exercise the powers of the county superintendent of schools, the county superintendent of schools is relieved of those powers assumed by the Superintendent, and shall provide support and assistance to the Superintendent in the exercise of those powers. The Superintendent shall also request that the County Office Fiscal Crisis and Management Assistance Team identify the circumstances that led to the ineffectiveness of the county superintendent of schools in resolving the financial problems of the school district, and shall require the county office of education to demonstrate, in a manner determined by the Superintendent, remediation of those deficiencies. In addition to the actions taken by the county superintendent of schools, the Superintendent shall take further actions to ensure the long-term fiscal stability of the school district. The county office of education shall reimburse the Superintendent for all of the Superintendent's costs in exercising the Superintendent's authority under this subdivision. The Superintendent shall promptly notify the county superintendent of schools, the county board of education, the superintendent of the school district, the governing board of the school district, the appropriate policy and fiscal committees of each house of the Legislature, and the Department of Finance of the Superintendent's decision to exercise the authority of the county superintendent of schools.

(Amended by Stats. 2020, Ch. 24, Sec. 25. (SB 98) Effective June 29, 2020.)



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

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January 13, 2023

Ms. Kristin Pfotenhauer
President, Governing Board
Live Oak School District
1974 Encina Drive
Santa Cruz, CA 95062

Re: 2022-23 First Interim Financial Report

Dear Ms. Pfotenhauer:

In accordance with Education Code Section 42131, the Santa Cruz County Office of Education (SCCOE) has reviewed the First Interim Financial Report for the Live Oak School District for fiscal year 2022-23.

The Education Code requires that the County Superintendent review the district Interim Report in order to:

- Determine whether the financial report complies with the standards and criteria established pursuant to Education Code Section 33127.
- Determine whether the Interim Report indicates that the district will be able to meet its financial obligations during the current fiscal year and subsequent two fiscal years.

The district's 2022-23 First Interim Budget has been analyzed in the context of the guidance provided by the California County Superintendents and the California Department of Education (CDE).

The review included an assessment and analysis of the following major components of the district's report:

- Enrollment, Average Daily Attendance (ADA), Unduplicated Pupil Counts
- Unrestricted Ending Fund Balance and State Minimum Reserve
- Unrestricted Deficit Spending Trends
- Current and Multiyear Projections
- Staffing Projections/Salary Settlements
- Other Post-Employment Benefits
- Ending Cash and Monthly Cash Flow
- Charter Schools

Assembly Bill (AB) 2756 requires school districts to submit copies of any study or reports that indicate signs or symptoms of fiscal distress to the County Office of Education. Should the district be issued any such reports or studies during the fiscal year, please submit them to the attention of Liann Reyes, Deputy Superintendent, Business Services as soon as they are available.

The analysis and comments regarding the First Interim Budget are contained on the following pages.

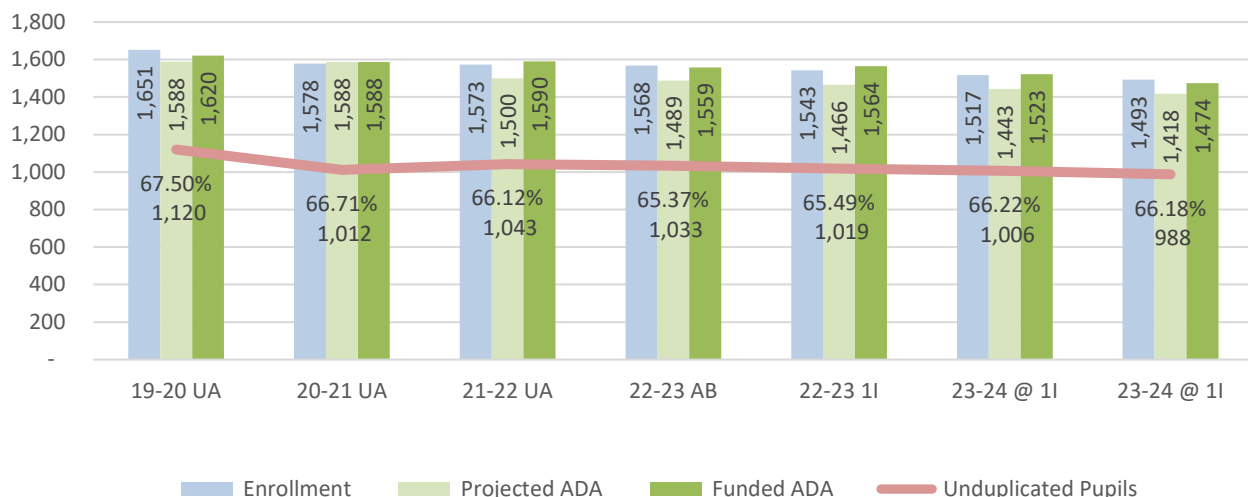
ENROLLMENT, AVERAGE DAILY ATTENDANCE AND UNDUPLICATED PUPIL COUNT PROJECTIONS

The district is projecting a decrease in enrollment of 25 students in the budget year to a total of 1,543 as compared to the adopted budget. The district is projecting a decrease of 26 for fiscal year 2023-24 and 24 for 2024-25. The district has been experiencing declining enrollment for several years, which appears to have been exacerbated by the pandemic.

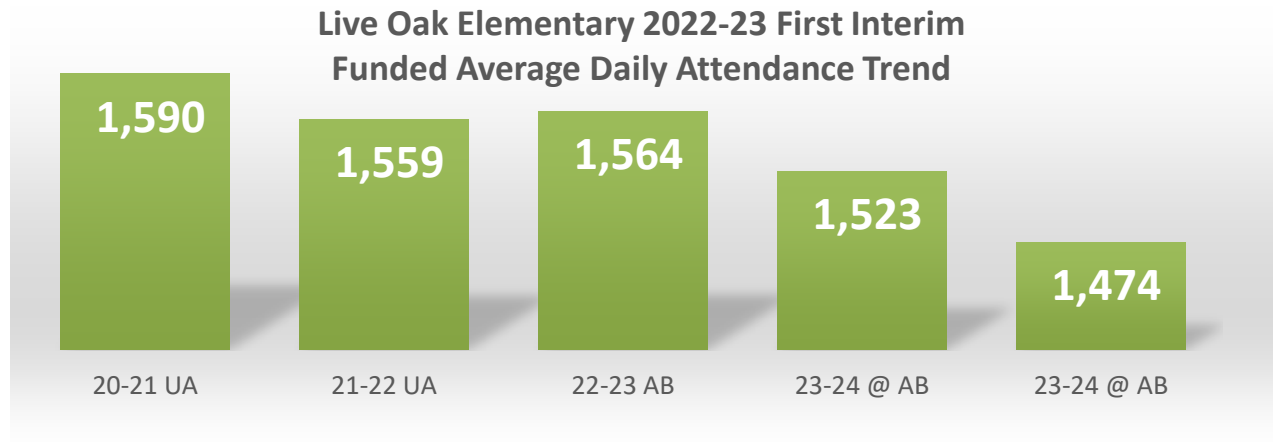
The district is projecting funded ADA of 1,564.01 for the budget year, 1,522.60 for 2023-24 and 1,473.55 for 2024-25. Based on current law, the district's funded ADA for the budget year was calculated using the three-year rolling average method. The district's ADA to enrollment ratio was 96.2% in 2019-20 and 96.5% the prior year. The district suffered the effects of the pandemic as evident with the 2021-22 ratio coming in at 95.3%. The district is being conservative by keeping the 2022-23 ratio at 95.1%, the 2023-24 at 95.2% and the 2024-25 fiscal year at 95.0%.

Unduplicated pupil count is projected to remain relatively flat. The following chart displays the district's enrollment, P-2 ADA, funded ADA and the unduplicated pupil percentage. Since a significant portion of a school district's revenue is derived from ADA, it is imperative to monitor the correlation between enrollment and ADA closely.

**Live Oak Elementary 2022-23 First Interim
 Enrollment vs ADA with Unduplicated Pupil Count**



The chart below shows the district's Funded ADA. It is important to monitor ADA closely as much of the County, as well as the State, continues to be in declining enrollment.



**COMBINED ENDING FUND BALANCES AND STATE OF UNRESTRICTED
MINIMUM RESERVE**

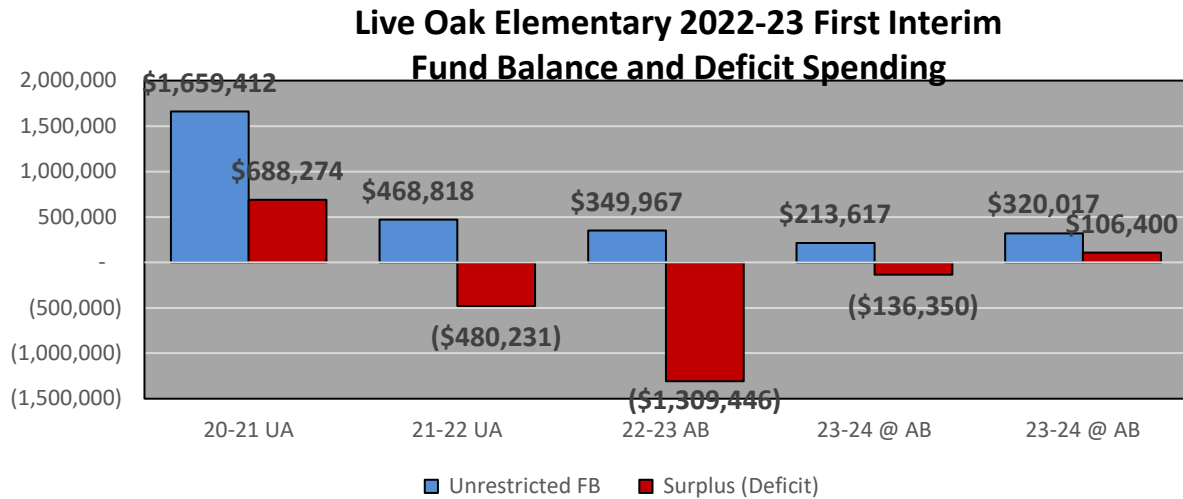
As certified by the Governing Board, the district is projecting an unrestricted ending fund balance reserve in the General Fund of \$349,967 in the current year, \$213,617 in 2023-24, and \$320,017 in 2024-25. The District's State Required Minimum Reserve percentage is 3.0%, which is \$941,133 in the budget year. The district also maintains a balance in Fund 17 of \$1,487,710, Special Reserve for Other Than Capital Outlay, which has been designated for economic uncertainties and allows the district to meet the state required minimum.

UNRESTRICTED DEFICIT SPENDING

The district is projecting to deficit spend by \$1,309,446 in the unrestricted resources in the budget year as a result of a transfer to Fund 17 in the amount of \$820,991. The district is projecting to deficit spend by \$136,350 in 2023-24. The district is not projecting to deficit spend in the unrestricted budget in 2024-25. Anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing unrestricted reserves.

The State's established standard for deficit spending is one-third (1/3) of the district's available unrestricted reserve percentage. The district's projected deficit spending is **NOT** within the established state standard for the 2022-23 budget year. The district is strongly cautioned against on-going deficit spending, other than one-time, planned expenditures.

The following chart displays the actual Unrestricted General Fund balance and the projected deficit spending for the prior two years, the current and two subsequent fiscal years, based on the multiyear projection included in the First Interim Budget.



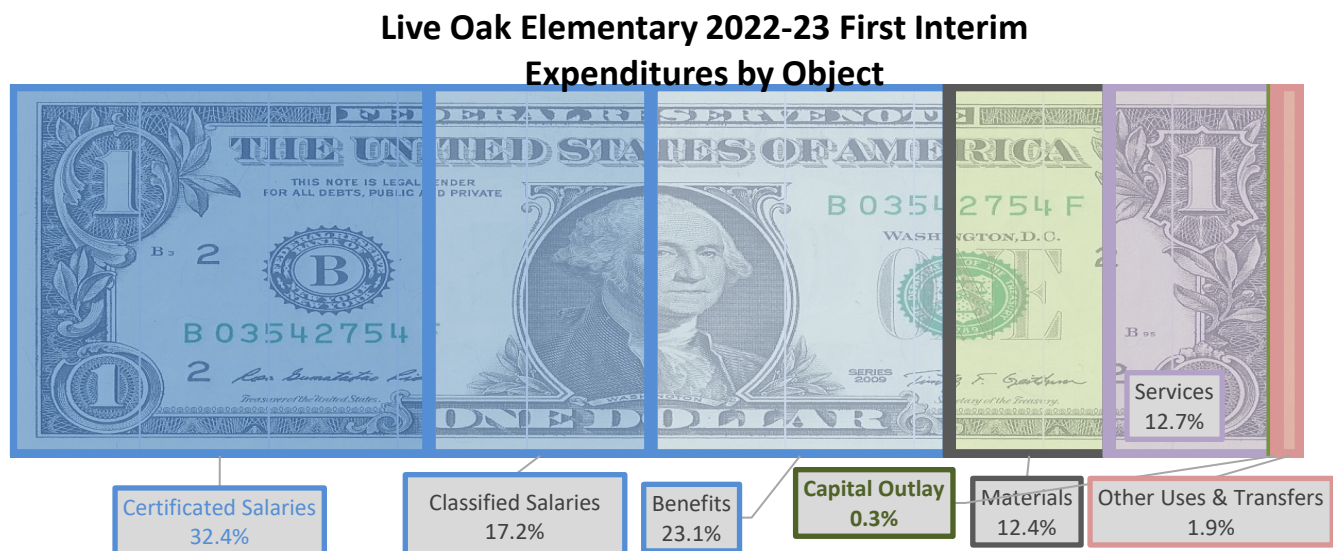
CURRENT AND MULTI-YEAR PROJECTIONS

The district's projection of revenues and expenditures in the current and two subsequent fiscal years was reviewed and found reasonable.

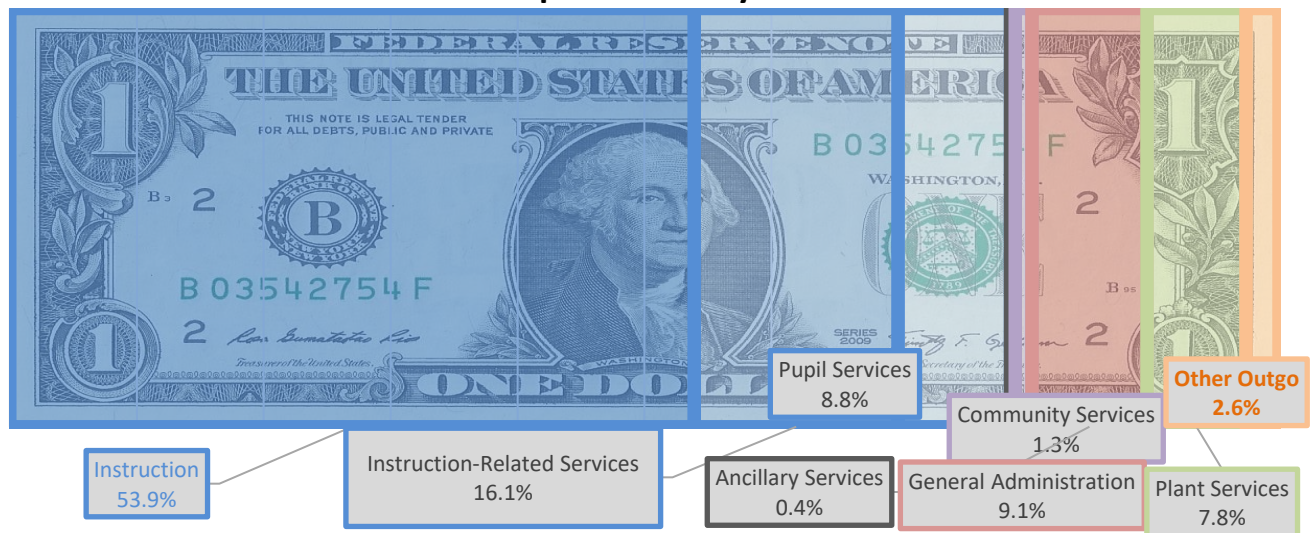
Due to the projected rapid decline in unrestricted ending fund balance and the projected loss of ADA, the district is advised to identify and implement solutions to resolve the ongoing deficit. Should the district experience any unforeseen events, such as a further decline in enrollment or an increase in Special Education students, the district may not be able to meet its financial obligations beyond fiscal year 2024-25.

Contributions are projected to increase from \$3.28 million to \$3.65 million in the budget year which is a 11.5% increase when compared to adopted budget. Contributions are projected to increase by 6.0% in 2023-24 and to decrease by 10.6% in 2024-25. The majority of the contributions are to Special Education (97.9%).

The following graphics provide a breakdown of expenditures by object code and then by function for the budget year.



Live Oak Elementary 2022-23 First Interim Expenditures by Function



STAFFING PROJECTIONS AND SALARY SETTLEMENTS

Negotiations are settled with the district's certificated and classified bargaining units for the budget year and those costs are included in the budget and multi-year projections (MYP).

Most of a school district's budget is spent on salaries and benefits. If these costs are growing at a rate faster than total expenditures, they will consume a disproportionately greater share of the district's resources, putting significant pressures on the rest of the budget. The percentage of unrestricted salaries and benefits to the total unrestricted general fund expenditures for the budget year, and multiyear projections are 90.5%, 91.6% and 91.0%.

The state's established standard for unrestricted salary and benefits ratio is based on plus or minus 3% of the average of the district's three prior years of unrestricted salaries to total unrestricted expenditures. The district's historical average ratio of unrestricted salaries and benefits to total unrestricted expenditures is 90.7%. As the budget and multi-year projections do not exceed the ratio plus 3% variance, the district is within the state's established standard.

OTHER POST-EMPLOYMENT BENEFITS

According to the district's criteria and standards, which is based on the most recent actuarial report dated June 30, 2022, the district has an unfunded liability for other post-employment benefits (OPEB) of \$1.8 million. The district is currently handling these costs on a pay-as-you-go basis. The pay-as-you-go amounts are projected at \$48,409 for the budget year, \$46,983 for 2023-24 and \$70,605 for 2024-25. Per GASB statements 74 and 75, the district is required to include the entire \$1.8 million liability in its audit report. The district should consider establishing a trust fund to begin addressing this unfunded liability.

ENDING CASH POSITION AND MONTHLY CASH FLOW

The district did not provide the required cash flow for the budget year. The cash flow created by the SCCOE indicates that the district may experience a cash shortage in March, 2023 until the receipt of property taxes due in April but will have a positive cash balance at the end of every other month. The district is projected to have a positive cash balance at the end of the budget year. Maintaining an adequate fund balance, in excess of the State's minimum of three percent, ensures adequate cash reserves.

CHARTER SCHOOLS

As required by Education Code 47604.33, the district must submit the First Interim report from Tierra Pacifica charter school to the COE.

As a charter school sponsor, the district maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance accounting, budgeting, and payroll. As part of this oversight, sponsoring school districts are also responsible for reviewing charter financial reports, including the First Interim report. Should any adverse circumstances arise related to the district's charter school responsibilities that would negatively impact the financial condition of the district, please notify the COE as soon as possible. Our comments, if any, on this review will be communicated in a separate correspondence.

Charter Authorizers are also directed to analyze the changes made to the Charter Schools Act by AB 1505 and AB 1507. AB 1505 makes significant changes to the authorization, renewal, and appeal processes for charter schools, clarifies the teacher credentialing requirements, and placed a two-year moratorium on the establishment of non-classroom based charter schools. AB 130 extended the moratorium until January, 2025. AB 1507 repeals the authority for a charter school to be located outside the boundaries of its authorizer and limits the establishment of resource centers. These laws could have significant impacts to district-authorized charter schools.

Additionally, due to recent events surrounding charter schools and their authorizers, districts are reminded that they cannot charge oversight fees above the costs of the oversight per EC 47613 (a) and (b):

47613(a) Except as set forth in subdivision (b), a chartering authority may charge for the actual costs of supervisory oversight of a charter school not to exceed 1 percent of the revenue of the charter school.

47613(b) A chartering authority may charge for the actual costs of supervisory oversight of a charter school not to exceed 3 percent of the revenue of the charter school if the charter school is able to obtain substantially rent-free facilities from the chartering authority.

APPROVAL STATUS

Based on our analysis, the Santa Cruz County Superintendent of Schools concurs with the district's **POSITIVE** certification for its First Interim Financial Report for the 2022-23 fiscal year.

If you have any questions about the adopted budget, please contact Liann Reyes, Deputy Superintendent, Business Services, at (831) 466-5601 or Rebecca Olker, Executive Director, Fiscal Services at (831) 466-5630.

The district's budget will be re-evaluated at the Second Interim reporting cycle to determine its certification.

Sincerely,



Liann Reyes
Deputy Superintendent, Business Services

LR/rmh

c: Dr. Faris Sabbah, County Superintendent of Schools
Dr. Daisy Morales, Superintendent, Live Oak School District
Alison Warner, Chief Business Officer, Live Oak School District
Rebecca Olker, SCCOE Executive Director, Fiscal Services

2022-23 LCAP and Budget Approval and Comments
Live Oak School District
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SANTA CRUZ COUNTY SCHOOLS
LIVE OAK ELEMENTARY SCHOOL DISTRICT

FINANCIAL ANALYSIS OF GENERAL FUND UNRESTRICTED AND RESTRICTED MONIES

GENERAL FUND	2021-22			2022-23			2022-23			2023-24			2024-25		
	Unaudited Actuals			Adopted Budget			1st Interim			Projected @ 22-23 1I			Projected @ 22-23 1I		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues															
8010-8099 Local Control Funding Formula	\$ 17,612,202	\$ -	\$ 17,612,202	\$ 17,444,982	\$ -	\$ 17,444,982	\$ 18,612,307	\$ -	\$ 18,612,307	\$ 19,185,586	\$ -	\$ 19,185,586	\$ 19,319,621	\$ -	\$ 19,319,621
8100-8299 Federal	-	2,574,522	2,574,522	-	3,624,267	3,624,267	-	2,909,364	2,909,364	-	935,751	935,751	-	935,751	935,751
8300-8599 Other State	325,276	2,969,703	3,294,979	290,834	1,991,572	2,282,406	295,846	4,772,004	5,067,850	295,846	3,806,050	4,101,896	295,846	3,801,739	4,097,585
8600-8799 Other Local	901,234	501,019	1,402,252	989,916	43,404	1,033,320	1,027,461	353,233	1,380,694	950,652	101,665	1,052,317	950,652	101,665	1,052,317
8910-8929 Interfund Transfers In	13,507	645,025	658,532	-	650,000	650,000	-	732,038	732,038	-	725,000	725,000	-	725,000	725,000
8930-8979 Other Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8980-8998 Contributions	(3,119,948)	3,119,948	-	(3,276,627)	3,276,627	-	(3,653,430)	3,653,430	-	(3,871,608)	3,871,608	-	(3,460,825)	3,460,825	-
Total Revenue, Transfers, and Other Sources	\$ 15,732,271	\$ 9,810,217	\$ 25,542,488	\$ 15,449,105	\$ 9,585,870	\$ 25,034,975	\$ 16,282,184	\$ 12,420,069	\$ 28,702,253	\$ 16,560,476	\$ 9,440,074	\$ 26,000,550	\$ 17,105,294	\$ 9,024,980	\$ 26,130,274
Expenditures															
1000-1999 Certificated Salary	\$ 6,864,931	\$ 2,464,992	\$ 9,329,923	\$ 7,240,156	\$ 2,455,371	\$ 9,695,527	\$ 7,420,541	\$ 2,750,294	\$ 10,170,835	\$ 7,531,849	\$ 2,403,609	\$ 9,935,458	\$ 7,644,827	\$ 2,207,032	\$ 9,851,859
2000-2999 Classified Salary	2,579,704	1,741,090	4,320,793	2,937,868	1,419,603	4,357,471	3,313,958	2,078,523	5,392,481	3,363,667	1,466,334	4,830,001	3,414,122	1,401,402	4,815,524
3000-3999 Employee Benefit	3,981,704	2,580,248	6,561,952	4,073,178	2,545,743	6,618,921	4,447,387	2,802,552	7,249,939	4,393,773	2,636,844	7,030,617	4,414,854	2,564,835	6,979,689
4000-4999 Books & Supplies	400,617	877,363	1,277,980	614,452	1,707,586	2,322,038	686,255	3,197,349	3,883,604	707,541	1,612,245	2,319,786	843,172	1,289,797	2,132,969
5000-5899 Services & Other Operating Expenditures	1,527,263	1,184,331	2,711,594	1,629,272	2,169,504	3,798,776	1,705,069	2,280,962	3,986,031	1,248,077	1,385,182	2,633,259	1,230,000	1,168,577	2,398,577
6000-6599 Capital Outlay	-	15,118	15,118	-	37,500	37,500	-	87,776	87,776	-	37,776	37,776	-	37,776	37,776
7100-7299 Other Outgo	2,069	-	2,069	-	-	-	-	-	-	-	-	-	-	-	-
7300-7399 Direct & Indirect Support	(325,797)	205,860	(119,938)	(565,590)	387,481	(178,109)	(802,571)	582,014	(220,557)	(548,081)	355,561	(192,520)	(548,081)	355,561	(192,520)
7610-7629 Interfund Transfers Out	13,507	-	13,507	-	-	-	820,991	-	820,991	-	-	-	-	-	-
7630-7699 Other Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments (Form MYP)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures, Transfers, and Other Uses	\$ 15,043,998	\$ 9,069,001	\$ 24,112,999	\$ 15,929,336	\$ 10,722,788	\$ 26,652,124	\$ 17,591,630	\$ 13,779,470	\$ 31,371,100	\$ 16,696,826	\$ 9,897,551	\$ 26,594,377	\$ 16,998,894	\$ 9,024,980	\$ 26,023,874
Excess (Deficiency)	\$ 688,274	\$ 741,216	\$ 1,429,490	\$ (480,231)	\$ (1,136,918)	\$ (1,617,149)	\$ (1,309,446)	\$ (1,359,401)	\$ (2,668,847)	\$ (136,350)	\$ (457,477)	\$ (593,827)	\$ 106,400	\$ -	\$ 106,400
Beginning Balance	\$ 971,138	\$ 1,075,662	\$ 2,046,800	\$ 949,049	\$ 1,232,703	\$ 2,181,753	\$ 1,659,413	\$ 1,816,878	\$ 3,476,291	\$ 349,967	\$ 457,477	\$ 807,444	\$ 213,617	\$ -	\$ 213,617
Audit Adjustments / Restatements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ 1,659,412	\$ 1,816,878	\$ 3,476,290	\$ 468,818	\$ 95,785	\$ 564,604	\$ 349,967	\$ 457,477	\$ 807,444	\$ 213,617	\$ -	\$ 213,617	\$ 320,017	\$ -	\$ 320,017
Reserves:															
Minimum Reserve Level per Criteria & Standards	3%			3%			3%			3%			3%		
Recommended REU (Computed in C&S)	\$ 723,390			\$ 799,564			\$ 941,133			\$ 797,831			\$ 780,716		
Reserves per District (REU 9789)	\$ 78,656	\$ -	\$ 78,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable (Rev. Cash, Prepaid, Stores)	3,500	-	3,500	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	1,816,878	1,816,878	-	95,785	95,785	-	457,477	457,477	-	-	-	-	-	-
Committed	742,335	-	742,335	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	216,780	-	216,780	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	618,141	-	618,141	468,818	-	468,818	349,967	-	349,967	213,617	-	213,617	320,017	-	320,017
Excess (Deficiency) above state recommended REU	853,866	-	853,866	341,910	-	341,910	896,004	-	896,004	902,956	-	902,956	1,026,471	-	1,026,471
Contributions to Restricted Programs			3,119,948			3,276,627			3,653,430			3,871,608			3,460,825
Special Reserve Fund 17	\$ 663,679			\$ 672,655			\$ 1,487,170			\$ 1,487,170			\$ 1,487,170		

SANTA CRUZ COUNTY SCHOOLS

LIVE OAK ELEMENTARY SCHOOL DISTRICT

FINANCIAL ANALYSIS OF GENERAL FUND

GENERAL FUND	2021-22	2022-23	2022-23	22-23 AB vs 22-23 1I	2023-24	22-23 1I vs 23-24 PB	2024-25	23-24 PB vs 24-25 PB
	Unaudited Actuals	Adopted Budget	1st Interim		Projected @ 22-23 1I		Projected @ 22-23 1I	
Revenues								
8010-8099 Local Control Funding Formula	17,612,202	17,444,982	18,612,307	6.69%	19,185,586	3.08%	19,319,621	0.70%
8100-8299 Federal	2,574,522	3,624,267	2,909,364	-19.73%	935,751	-67.84%	935,751	0.00%
8300-8599 Other State	3,294,979	2,282,406	5,067,850	122.04%	4,101,896	-19.06%	4,097,585	-0.11%
8600-8799 Other Local	1,402,252	1,033,320	1,380,694	33.62%	1,052,317	-23.78%	1,052,317	0.00%
8910-8929 Interfund Transfers In	658,532	650,000	732,038	12.62%	725,000	-0.96%	725,000	0.00%
8930-8979 Other Sources	-	-	-	-	-	-	-	-
8980-8998 Contributions	-	-	-	-	-	-	-	-
Total Revenue, Transfers, and Other Sources	25,542,488	25,034,975	28,702,253	14.65%	26,000,550	-9.41%	26,130,274	0.50%
Expenditures								
1000-1999 Certificated Salary	9,329,923	9,695,527	10,170,835	4.90%	9,935,458	-2.31%	9,851,859	-0.84%
2000-2999 Classified Salary	4,320,793	4,357,471	5,392,481	23.75%	4,830,001	-10.43%	4,815,524	-0.30%
3000-3999 Employee Benefit	6,561,952	6,618,921	7,249,939	9.53%	7,030,617	-3.03%	6,979,689	-0.72%
4000-4999 Books & Supplies	1,277,980	2,322,038	3,883,604	67.25%	2,319,786	-40.27%	2,132,969	-8.05%
5000-5899 Services & Other Operating Expenditures	2,711,594	3,798,776	3,986,031	4.93%	2,633,259	-33.94%	2,398,577	-8.91%
6000-6599 Capital Outlay	15,118	37,500	87,776	134.07%	37,776	-56.96%	37,776	0.00%
7100-7299 Other Outgo	2,069	-	-	-	-	-	-	-
7300-7399 Direct & Indirect Support	(119,938)	(178,109)	(220,557)	23.83%	(192,520)	-12.71%	(192,520)	0.00%
7610-7629 Interfund Transfers Out	13,507	-	820,991	-	-	-100.00%	-	-
7630-7699 Other Uses	-	-	-	-	-	-	-	-
Other Adjustments (From MYP)	-	-	-	-	-	-	-	-
Total Expenditures, Transfers, and Other Uses	24,112,999	26,652,124	31,371,100	17.71%	26,594,377	-15.23%	26,023,874	-2.15%
Excess (Deficiency)	1,429,490	(1,617,149)	(2,668,847)	65.03%	(593,827)	-77.75%	106,400	-117.92%
Beginning Balance	2,046,800	2,181,753	3,476,291	59.33%	807,444	-76.77%	213,617	-73.54%
Audit Adjustments / Restatements	-	-	-	-	-	-	-	-
Ending Balance	3,476,290	564,604	807,444	43.01%	213,617	-73.54%	320,017	49.81%
Reserves:								
Minimum Reserve Level per Criteria & Standards	3%	3%	3%	0.00%	3%	0.00%	3%	
Recommended REU (Computed in C&S)	723,390	799,564	941,133	17.71%	797,831	-15.23%	780,716	-2.15%
Reserves per District (REU 9789)	78,656	-	-	-	-	-	-	-
Nonspendable (Rev. Cash, Prepaid, Stores)	3,500	-	-	-	-	-	-	-
Restricted	1,816,878	95,785	457,477	377.61%	-	-100.00%	-	-
Committed	742,335	-	-	-	-	-	-	-
Assigned	216,780	-	-	-	-	-	-	-
Unassigned	618,141	468,818	349,967	-25.35%	213,617	-38.96%	320,017	49.81%
Excess (Deficiency) above state recommended REU	853,866	341,910	896,004	162.06%	902,956	0.78%	1,026,471	13.68%
Contributions to Restricted Programs	3,119,948	3,276,627	3,653,430	11.50%	3,871,608	5.97%	3,460,825	-10.61%
Special Reserve Fund 17	663,679	672,655	1,487,170	121.09%	1,487,170	0.00%	1,487,170	0.00%

LIVE OAK ELEMENTARY SCHOOL DISTRICT
All Funds Summary
2022-23
1st Interim

	01	12	13	17	20	25	49	51	
	General	Child Development	Cafeteria	Special Reserve	Spec Res OPEB	Capital Facilities	Mello-Roos	Debt Service	Total All Funds
Revenue									
8000-8099 Local Control Funding Formula	18,612,307	-	-	-	-	-	-	-	18,612,307
8100-8299 Federal Revenue	2,909,364	249,158	1,243,435	-	-	-	-	-	4,401,957
8300-8599 State Revenue	5,067,850	1,755,107	67,267	-	-	-	-	-	6,890,224
8600-8699 Local Revenue	1,380,694	196,496	2,568	2,500	2,500	2,657,684	116,244	-	4,358,686
Total Revenue	27,970,215	2,200,761	1,313,270	2,500	2,500	2,657,684	116,244	-	34,263,174
Expenditures									
1000 Certificated Salaries	10,170,835	488,054	-	-	-	-	-	-	10,658,889
2000 Classified Salaries	5,392,481	273,934	497,159	-	-	52,936	-	-	6,216,510
3000 Employee Benefits	7,249,939	421,742	248,140	-	-	23,745	-	-	7,943,566
4000 Books & Supplies	3,883,604	604,604	1,189,859	-	-	108,327	1,300	-	5,787,694
5000 Services & Other Oper.	3,986,031	86,430	55,515	-	-	297,922	294,800	-	4,720,698
6000 Equipment	87,776	-	50,000	-	-	75,258	67,813	-	280,847
7100-7299 Other Outgo (74XX)	-	-	-	-	-	1,818,000	-	-	1,818,000
7300 Indirect Costs	(220,557)	154,960	65,597	-	-	-	-	-	-
Total Expenditures	30,550,109	2,029,724	2,106,270	-	-	2,376,188	363,913	-	37,426,204
Surplus (Deficit)	(2,579,894)	171,037	(793,000)	2,500	2,500	281,496	(247,669)	-	(3,163,030)
Other Sources/Uses									
89XX Transfers In	732,038	-	-	820,991	-	-	-	-	1,553,029
8930-8979 Other Sources	-	-	-	-	-	-	-	-	-
7610-7629 Transfers Out	820,991	-	-	-	-	732,038	-	-	1,553,029
7630-7699 Other Uses	-	-	-	-	-	-	-	-	-
Total Other Sources/Uses	(88,953)	-	-	820,991	-	(732,038)	-	-	-
Total Incr (Decr) in Fund Balance	(2,668,847)	171,037	(793,000)	823,491	2,500	(450,542)	(247,669)	-	(3,163,030)
Beginning Fund Balance	3,476,291	83,023	1,236,810	663,679	561,165	5,032,435	1,468,288	851,423	13,373,114
Audit Adjustments/Restatements	-	-	-	-	-	-	-	-	-
Ending Fund Balance	807,444	254,060	443,810	1,487,170	563,665	4,581,893	1,220,619	851,423	10,210,084
Deficit (Surplus) as % of Fund Balance	-76.77%	206.01%	-64.12%	124.08%	0.45%	-8.95%	-16.87%	0.00%	-23.65%