



CSIS California School Information Services

April 17, 2009

Kenneth Shelton, Assistant Superintendent, Business Services
Los Angeles County Office of Education
9300 Imperial Highway
Downey, CA 90242

Dear Assistant Superintendent Shelton:

The purpose of this letter is to provide the findings and recommendations identified by the Fiscal Crisis and Management Assistance Team (FCMAT) following completion of fieldwork conducted at the Wilsona Elementary School District.

In February 2009, FCMAT was requested to perform the following as described in the study agreement:

1. Prepare cash flow projections of the Wilsona Elementary School District general fund for the remainder of the 2008-09 fiscal year and the 2009-10 fiscal year. The team will apply assumptions and factors directly related to the state budget bill signed by the governor on February 20, 2009; variables included in the School Services of California Dartboard, where applicable; and budgetary reductions approved by the Wilsona governing board on or before March 2, 2009.

FCMAT visited the district in February and March 2009 to interview staff members, collect data, and review documents. Following the initial visit on February 25, it was determined that the cash flow projections would be completed based on the district's 2008-09 second interim report which was presented to the governing board on March 19, 2009.

Introduction

The Wilsona Elementary School District is located in Los Angeles County and serves approximately 1,700 kindergarten through eighth grade students in two elementary, one middle, and one community day school.

The district has experienced a decline in enrollment for the last six years. In addition, when closing the financial records for the 2007-08 fiscal year, the district staff discovered that some prior-year accounts receivable accruals were uncollectible and had to be written off. This

FCMAT

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reduced the district's 2007-08 general fund ending balance less than the recommended three percent minimum reserve for economic uncertainties. These factors, coupled with the economic crisis at the state and federal level, required the district to make difficult decisions to balance its budget.

When completing its review of the district's cash flow, the county office of education projected that the district would have a negative cash balance prior to the end of the 2008-09 fiscal year. FCMAT projections show that the district will have negative cash balances in the following months:

June 2009	\$1,025,816
July 2009	\$328,708
August 2009	\$872,931
September 2009	\$725,181
June 2010	\$596,872

In an effort to mitigate its projected cash flow shortages, the district issued a 2008-09 Tax and Revenue Anticipation Note (TRAN). In addition, the district indicates that it is working with the county office to obtain a 2008-09 midyear TRAN.

Cash Flow Projections

The purpose of a cash flow statement is to project the timing of receipts and expenses so an organization can understand its cash needs monthly or even daily. The cash flow statement reflects the district's liquidity and ability to meet its current payroll and other required obligations. As an analytical tool, the cash flow analysis should not be confused with the district's budget and fund balance; it excludes transactions that do not directly affect cash receipts and payments. Any forecast of financial data for cash flow purposes has inherent limitations, including issues such as unanticipated changes in enrollment trends and changing economic conditions at the state, federal and local levels. Therefore, the cash flow forecasting model should be evaluated as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. Multiyear cash flow projections help provide for more informed decision making and the ability to forecast the fiscal impact of current decisions. The cash flow projections should be updated each month to accurately account for all revenues, expenditures and other changes related to cash.

In preparing cash flow projections for the district, FCMAT used the district's 2008-09 second interim report as the basis for the 2008-09 and 2009-10 projections. The assumptions used by the district in preparing the second interim report are included as an attachment to this letter.

2008-09 Cash Flow Projection

The 2008-09 cash flow projection includes the district's actual cash transactions through February 2009. The projection also includes the final payment for the 2008-09 Tax and Revenue Anticipation Note (TRAN) in April, 2009. The projection assumes that at this point in the year, all the prior year accounts receivable and accounts payable transactions have been received and paid. The district should review each prior year transaction and verify this assumption.

A comparison of the monthly cash transactions for employee benefits with the second interim report found that the 2008-09 budget may be insufficient to support the remainder of the cost for this fiscal year. The district should review the 2008-09 budget for object range 3000-3999, employee benefits and analyze the projected budget compared with actual costs year to date. If the budget for employee benefits is insufficient to meet current year costs, this will have a negative impact on the projected cash flow.

The district reported that an increase of \$223,617.50 was made to the expense budget following the second interim reporting period for the one-time payment of an insurance settlement. This adjustment has been included in the cash flow projection.

As the state struggles with its own cash flow crisis, school district apportionments will be directly affected in 2008-09 and future fiscal years. The following deferrals have been enacted into state legislation and are included in the 2008-09 cash flow projection:

50% principal apportionment	February 2009 to July 2009
100% principal apportionment	June 2009 to July 2009
50% K-3 class-size reduction funding	February 2009 to July 2009

The projection on the following page shows that the district will have a negative cash balance of approximately \$1 million in June 2009.

Wilsona Elementary School District
2008-09 Cash Flow
Actuals through February, 2009

Revenues	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Projected Apr	Projected May	Projected June	Projected Accruals	Total	Second Interim	Difference
Beginning Cash Balance	-199.60	367,503.18	559,072.01	970,119.70	756,382.08	936,906.49	1,666,267.82	1,091,209.42	764,087.14	830,891.78	274,639.26	49,334.36				
Revenues - Unrestricted																
State Aid	686,515.00	1,304,284.00	1,423,843.00	485,076.00	779,065.00	779,065.00	779,065.00	694,776.00	517,875.00	517,875.00	517,875.00	0.00	1,035,763.00	9,521,067.00	9,521,067.00	0.00
Tax Relief Subvention	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	0.00
County & District Property Taxes	28,032.74	36,504.33	0.00	0.00	-11,603.13	337,991.71	96,670.80	44,347.43	14,453.42	144,534.20	14,453.42	17,286.69	0.00	722,671.00	722,671.00	0.00
Miscellaneous Funds	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	0.00
Revenue Limit Transfer	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	0.00
Federal Revenue	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	0.00
Other State Revenue	3,060.51	-19,456.00	0.00	-5,925.51	-16,066.00	223,596.00	60,352.58	-12,737.00	209,193.87	39,714.35	7,942.87	103,360.33	201,251.00	794,287.00	794,287.00	0.00
Other Local Revenue	124.15	0.00	0.00	13,578.27	4,060.87	6,109.55	0.00	6,810.59	30,189.02	6,466.08	7,274.34	0.00	6,213.13	80,826.00	80,826.00	0.00
Undefined	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	0.00
Interfund Transfers In	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	0.00
Other Financing Sources	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	0.00
Contributions	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	0.00
Subtotal - Unrestricted	717,732.40	1,321,332.33	1,423,843.00	492,728.76	759,456.74	1,347,593.42	938,101.64	733,197.02	771,980.37	708,589.63	549,583.93	-978,960.33	1,294,982.13	10,075,660.98	10,075,660.98	0.00
Revenues - Restricted																
Revenue Limit Transfer	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	0.00
Federal Revenue	69,875.00	286,516.00	10,251.00	-276,769.00	29,684.11	538,017.00	90,975.00	-197,434.00	157,895.20	196,986.50	472,767.60	305,702.30	305,702.30	1,969,263.00	1,969,263.00	0.00
Other State Revenue	36,981.11	19,746.00	107,306.00	502,674.23	341,490.00	186,399.91	92,970.00	32,890.00	194,995.30	97,479.15	38,991.66	148,948.32	148,948.32	1,949,583.00	1,949,583.00	0.00
Other Local Revenue	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	0.00
Contributions	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	0.00
Subtotal - Restricted	106,856.11	286,264.00	147,557.00	225,905.23	665,821.11	787,934.91	183,945.00	-101,206.00	526,487.35	302,748.50	511,759.26	1,727,146.26	587,773.26	5,917,106.02	5,917,106.02	0.00
TOTAL REVENUES	824,588.51	1,607,596.33	1,571,399.01	718,633.99	1,411,277.85	2,135,528.33	1,122,046.64	631,991.02	1,298,367.72	1,011,338.13	1,061,343.19	747,765.90	1,882,755.39	15,992,767.00	15,992,767.00	0.00
Expenses																
Certificated Salaries	560,754.35	602,584.09	564,779.09	604,961.44	597,186.92	585,965.07	569,165.41	566,149.61	567,763.78	580,595.93	609,267.34	609,267.34	129,410.64	7,167,851.00	7,167,851.00	0.00
Classified Salaries	11,514.23	142,560.47	215,391.78	223,362.48	223,170.63	210,098.33	207,225.39	218,550.53	210,927.99	206,022.68	201,117.38	201,117.38	181,591.73	2,452,651.00	2,452,651.00	0.00
Employee Benefits	64,767.15	97,993.76	269,129.37	337,141.57	326,981.41	320,251.05	315,636.49	316,863.93	311,315.40	308,170.80	311,315.40	165,033.67	0.00	3,144,600.00	3,144,600.00	0.00
Books and Supplies	-23,029.91	62,392.71	90,087.67	153,858.82	12,710.11	6,254.09	-28,334.90	21,713.24	65,065.13	10,667.07	66,135.83	286,257.43	286,257.43	1,066,707.00	1,066,707.00	0.00
Services & Operating Expenses	32,032.66	165,509.23	76,239.65	157,796.57	13,187.97	318,184.22	309,685.59	70,351.76	70,066.80	143,726.76	98,812.15	170,865.43	170,865.43	1,796,584.50	1,796,584.50	0.00
Capital Outlay	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	0.00
Other Outgo	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	0.00
Indirect Costs	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	0.00
Interfund Transfers Out	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	0.00
Other Sources/Uses	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	0.00
TOTAL EXPENDITURES	646,058.48	1,071,040.26	1,215,627.76	1,477,118.88	1,173,237.04	1,440,752.76	1,430,047.78	1,193,629.57	1,245,143.09	1,252,190.65	1,286,648.10	1,822,936.59	843,601.56	16,098,032.51	16,098,032.51	0.01
Assets																
Other Cash	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	0.00
Accounts Receivable	11,374.01	14,133.36	133,170.70	450,997.94	3,772.55	-40,111.71	8,419.71	244,776.41	168,060.10	0.00	0.00	0.00	0.00	994,593.07	0.00	994,593.07
TOTAL ASSETS	11,374.01	14,133.36	133,170.70	450,997.94	3,772.55	-40,111.71	8,419.71	244,776.41	168,060.10	0.00	0.00	0.00	0.00	994,593.07	0.00	994,593.07
Liabilities																
Accounts Payable	-561,201.26	-359,120.60	-76,009.25	93,749.33	-61,288.95	74,697.47	15,023.03	62,739.86	-81,280.09	0.00	0.00	0.00	0.00	-892,680.46	0.00	-892,680.46
Other Liabilities (TRAF)	7,390,000.00	0.00	0.00	0.00	0.00	0.00	-290,500.00	-73,000.00	-73,000.00	-315,400.00	0.00	0.00	0.00	-13,100.00	0.00	-13,100.00
Long-term 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	0.00
Fund Balance	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	0.00
Error Account	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	0.00
TOTAL LIABILITIES	177,798.74	-359,120.60	-76,009.25	93,749.33	-61,288.95	74,697.47	-275,476.97	-10,260.14	-154,480.09	-315,400.00	0.00	0.00	0.00	-905,790.46	0.00	-905,790.46
Net Increase/(Decrease)	367,702.76	191,568.83	411,047.69	-213,737.62	180,524.41	729,361.33	-575,058.40	-327,122.28	66,804.64	-556,252.52	-225,304.91	-1,076,150.69	1,009,153.83			
Ending Cash	367,503.18	559,072.01	970,119.70	756,382.08	936,906.49	1,666,267.82	1,091,209.42	764,087.14	830,891.78	274,639.26	49,334.36	-1,026,616.33	1,009,153.83			

2009-10 Cash Flow Projection

The 2009-10 cash flow projection is based on the second interim report. The following deferrals have been enacted into state legislation and are included in the projection:

60% principal apportionment	July 2009 to October 2009
55% principal apportionment	August 2009 to October 2009
50% principal apportionment	February 2010 to July 2010
100% principal apportionment	June 2010 to July 2010
50% K-3 class-size reduction funding	February 2010 to July 2010

The projection on the following page shows that the district will have a negative cash balance at the end of July, August, and September 2009 and in June 2010.

Wilsona Elementary School District
2009-10 Cash Flow

Revenues	Projected July	Projected Aug	Projected Sept	Projected Oct	Projected Nov	Projected Dec	Projected Jan	Projected Feb	Projected Mar	Projected Apr	Projected May	Projected June	Projected Accruals	Total	Second Interim	Difference
Beginning Cash Balance	-1,025,816.33	-328,708.65	-872,931.72	-725,181.93	185,000.09	426,800.56	663,364.93	296,337.21	260,369.05	352,151.49	372,941.65	413,921.13				
State Aid	204,751.20	460,661.40	682,505.60	1,552,700.60	682,505.60	682,505.60	682,505.60	597,192.00	597,192.00	597,192.00	597,192.00	0.00	1,194,366.40	8,531,319.99	8,531,319.99	0.00
Tax Relief Subvention	0.00	0.00	0.00	0.00	0.00	839.30	-2,038.30	0.00	179.65	0.00	-2,038.30	869.25	0.00	5,995.00	5,995.00	0.00
County & District Property Taxes	21,680.13	28,906.84	0.00	0.00	7,226.71	339,655.37	93,947.23	43,360.26	14,453.43	144,534.20	14,453.43	14,453.42	0.00	722,671.00	722,671.00	0.00
Miscellaneous Funds	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	0.00
Revenue Limit Transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-291,254.00	0.00	-291,254.00	-291,254.00	0.00
Federal Revenue	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	0.00
Other State Revenue	9,292.28	4,646.14	23,230.70	92,922.80	9,292.28	9,292.28	32,522.98	35,702.14	4,646.14	27,876.84	4,646.14	9,292.28	201,251.00	464,814.00	464,814.00	0.00
Other Local Revenue	0.00	0.00	0.00	8,500.00	4,000.00	4,000.00	0.00	4,000.00	18,500.00	4,000.00	4,500.00	0.00	4,000.00	50,000.00	50,000.00	0.00
Undeclared	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	0.00
Interfund Transfers In	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	51,765.00	51,765.00	0.00
Other Financing Sources	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	-560,834.00	-560,834.00	0.00
Contributions	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	8,974,276.99	8,974,276.99	0.00
Subtotal - Unrestricted	235,723.61	494,244.38	705,736.30	1,654,123.40	701,524.59	1,036,292.55	811,014.11	680,254.40	634,971.41	773,603.04	622,829.86	-827,443.05	1,451,402.40	8,974,276.99	8,974,276.99	0.00
Revenues - Restricted	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	291,254.00	291,254.00	0.00
Revenue Limit Transfer	16,378.49	0.00	0.00	131,027.92	16,378.49	262,055.84	16,378.49	114,649.43	131,027.92	163,784.90	393,083.76	196,541.88	196,541.88	1,637,849.00	1,637,849.00	0.00
Federal Revenue	28,719.04	14,359.52	71,787.60	358,988.00	244,111.84	143,595.20	71,787.60	28,719.04	143,595.20	71,787.60	28,719.04	114,876.16	114,876.16	1,435,952.00	1,435,952.00	0.00
Other State Revenue	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	800,171.00	800,171.00	0.00
Contributions	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	599,069.00	599,069.00	0.00
Subtotal - Restricted	45,097.53	14,359.52	226,830.65	375,366.49	516,169.98	469,664.72	88,176.09	287,382.15	442,659.03	243,584.21	421,802.80	1,211,762.42	417,439.41	4,674,295.00	4,674,295.00	0.00
TOTAL REVENUES	280,821.14	508,603.90	932,566.95	2,029,489.89	1,217,694.57	1,505,957.27	899,190.20	887,636.55	1,077,630.44	1,017,187.25	1,044,632.66	384,319.37	1,868,841.81	13,648,571.99	13,648,571.99	0.00
Expenditures																
Certified Salaries	441,700.19	475,677.13	447,363.02	475,677.13	470,014.31	464,351.49	447,363.02	447,363.02	464,351.49	458,688.66	481,339.96	481,339.96	107,593.64	5,662,823.00	5,662,823.00	0.00
Classified Salaries	7,695.30	89,265.42	135,437.19	140,054.37	140,054.37	132,359.07	136,976.25	136,976.25	132,359.07	129,280.96	126,202.84	126,202.84	106,195.07	1,539,059.00	1,539,059.00	0.00
Employee Benefits	46,150.15	80,155.52	184,600.58	223,463.86	225,892.82	218,605.95	235,608.64	240,466.55	238,037.59	235,608.64	238,037.59	238,037.59	24,289.55	2,428,955.00	2,428,955.00	0.00
Books and Supplies	58,476.91	75,720.10	35,236.09	77,219.51	123,011.16	44,232.54	40,484.02	7,497.04	71,971.56	7,497.04	48,481.65	80,593.18	80,593.18	749,704.00	749,704.00	0.00
Services & Operating Expenses	40,578.60	213,037.65	99,417.57	202,893.00	16,231.44	409,843.96	405,786.00	91,301.85	79,128.27	162,314.40	111,591.15	98,403.11	98,403.11	2,028,930.00	2,028,930.00	0.00
Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,320.00	0.00	9,660.00	0.00	11,000.00	11,000.00	0.00
Other Outgo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,687.40	0.00	75,856.30	75,856.30	153,400.00	153,400.00	0.00
Indirect Costs	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	0.00
Interfund Transfers Out	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	285,000.00	285,000.00	0.00
Other Sources/Uses	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	0.00
TOTAL EXPENDITURES	594,601.15	933,855.92	902,054.45	1,119,307.27	975,894.09	1,269,392.91	1,266,217.92	923,604.70	985,848.00	996,397.09	1,003,653.18	1,395,112.97	492,930.84	12,858,871.00	12,858,871.00	0.00
Assets																
Other Cash	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	0.00
Accounts Receivable	1,483,304.56	184,725.42	184,725.42	184,725.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,852,755.39	1,852,755.39	0.00
TOTAL ASSETS	1,483,304.56	184,725.42	184,725.42	184,725.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,852,755.39	1,852,755.39	0.00
Liabilities																
Accounts Payable	-472,416.87	-303,696.56	-67,485.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-843,601.56	-843,601.56	0.00
Other Liabilities (TRAM)	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	0.00
Long-term 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	0.00
Fund Balance	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	0.00
Error Account	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	0.00
TOTAL LIABILITIES	-472,416.87	-303,696.56	-67,485.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-843,601.56	-843,601.56	0.00
Net Increase/(Decrease)	697,107.68	-544,233.07	-147,749.79	910,182.02	241,800.48	236,564.36	-367,027.72	-35,968.15	91,782.44	20,790.16	40,979.48	-1,010,793.60	1,369,910.97			
Ending Cash	-328,708.65	-872,931.72	-725,181.93	185,000.09	426,800.56	663,364.93	296,337.21	260,369.05	352,151.49	372,941.65	413,921.13	-586,872.48	1,369,910.97			

Cash Management Strategies

The district has made some difficult decisions to balance its budget in future fiscal years, but given current available budget information, the district will need to make additional decisions to ensure that its monthly cash balance is sufficient to meet required obligations and maintain financial solvency. Following are actions the district should evaluate and consider taking to meet payroll and other financial obligations.

Exemption from the July and August 2009 Deferrals

Districts may request an exemption from the July and August 2009 deferrals of the advance principal apportionment if they meet the criteria as specified in the application from the California Department of Education (CDE). Information regarding the exemption process is available from the CDE at <http://www.cde.ca.gov/fg/fi/ir>. The application deadline is May 15, 2009.

2008-09 Midyear and 2009-10 Full Year Tax and Revenue Anticipation Notes (TRANS)

TRANS consist of short-term borrowing, up to 15 months for maturity, and may be issued under tax-exempt status. A TRAN can be used for a single local education agency (LEA), or pooled with other LEAs to reduce costs. The notes can be sold competitively or negotiated, depending on market conditions and credit issues. A 2008-09 midyear TRAN should not be confused with a separate TRAN that may be needed to alleviate a 2009-10 cash flow deficit. A 2009-10 TRAN would be a completely separate legal obligation and would be calculated separately from a 2008-09 midyear TRAN. Each TRAN is calculated and based on the financial status and cash flow needs of a particular fiscal year.

Internal Borrowing between District Funds

Borrowing between district funds is authorized by Education Code Section 42603, which allows LEAs to borrow temporarily between funds to address cash flow shortages. This is the most common method used by LEAs; however, it works only if cash is available in other funds.

This type of borrowing has several limitations, including that no more than 75% of the money held in any fund during the current fiscal year may be transferred. In addition, if the transfer is completed prior to the last 120 days of the fiscal year, the funds must be repaid by June 30 of the same fiscal year. If funds are transferred in the last 120 days of the fiscal year, repayment must be made prior to June 30 of the subsequent fiscal year.

The district is in the process of building a new elementary school and has received financial hardship funding from the state. However, it is unknown whether state funding will be sufficient to complete the new construction project.

Borrow from the County Office of Education

LEAs may borrow from the county office of education in accordance with Education Code Sections 42621 and 42622. However, this option depends on the county office being willing and able to provide funds. Based on the current economic outlook, this may not be an option because county offices are monitoring their own cash balances and are often unable to accommodate these requests.

Borrow from the County Treasurer

Education Code Section 42620 allows LEAs to borrow from the county treasurer. Under Article XVI, Section 6 of the California Constitution, the county treasurer must provide funds to an LEA if the LEA is unable to meet its obligations. However, the county treasurer cannot loan districts money after the last Monday in April of the current fiscal year. In addition, this type of borrowing requires the approval of the governing board by formal resolution. The loan cannot exceed 85% of the amount of money that will accrue to the school district during the fiscal year, and repayment must be made from the first monies received by the LEA before any other obligation is paid.

Recommendations

The district should:

1. Update its cash flow projections monthly.
2. Review each prior year accounts receivable and accounts payable transaction that has not been received or paid and determine whether it is still valid or needs to be written off.
3. Review the 2008-09 budget for employee benefits and determine whether it is accurate.
4. Evaluate and consider taking action on available cash management strategies.

On behalf of FCMAT, we appreciate the opportunity to serve the county office and the district and extend our thanks to the staff of the Los Angeles County Office of Education and the Wilsona Elementary School District for their assistance in providing information to the study team. Please contact me at (661) 821-0718 or dbranham@fcmat.org if you have any questions regarding the information contained in this letter.

Sincerely,



Diane Branham

Fiscal Intervention Specialist

C: Melvin Iizuka, Assistant Director, Los Angeles County Office of Education
David Andreasen, Superintendent, Wilsona Elementary School District
Jennifer Noga, Chief Business Official, Wilsona Elementary School District

**Wilsona School District
2008 - 2009
2nd Interim Assumptions**

REVENUE – UNRESTRICTED

1. A 5.66% COLA on the District's Base Revenue Limit (BRL) per average daily attendance (ADA), bringing District's BRL to \$6,349.56 per ADA. However, a revenue limit deficit factor of 7.844% resulting in a negative 2.63% net funded COLA.
2. Average Daily Attendance of 1757.04, based on prior year P-2 regular ADA and this year's current projected special education ADA, per the State's one-year protection for declining enrollment Districts.
3. Lottery is projected at \$121 per annual ADA. Of that projection, \$109.50 is Unrestricted and \$11.50 is Prop 20 Restricted.
4. Revenue for K-3 Class Size Reduction Program is budgeted at \$553,707 based on an allocation of \$1,071 per student for grades first through third.

REVENUE – RESTRICTED

1. Federal categorical programs have been updated to reflect actual allocations for the 08-09 fiscal year.
2. State Categorical revenues have been reduced according to their categorized status (Tier I, II, or III) as suggested based on the Governor's Budget.

EXPENDITURES – UNRESTRICTED & RESTRICTED

1. Any adjustment for step and column advancement for certificated employees and step increases for classified employees are included in the budget.
2. Employee statutory benefits are based on the following percentage rates: STRS 8.25%, PERS 9.00%, OASDI 6.2%, Medicare 1.45%, SUI .30%, Worker's Comp .70% and PERS Reduction are at 4.84%.
3. A contribution of \$926,647 from Unrestricted Fund to the Restricted Fund reflects an encroachment of \$227,373 in Special Education, \$136,908 for transportation, \$150,947 for WAA, and \$453,147 in Routine Restricted Ongoing Maintenance (requirement to participate in the State's Deferred Maintenance Program). As part of the enacted budget from the State, school districts are authorized to transfer 2007-08 categorically ending fund balances into the General Fund for any educational purposes. The District has utilized this flexibility allowance and transferred \$346,317 to reduce the General Fund contribution amount.

2nd Interim Budget Assumptions (cont.)

2009-10 and 2010-11 Budget Assumptions

INCOME - UNRESTRICTED

1. A declining ADA of 1605.44 is being used in 2009-10, which is based on current year ADA reports. A declining ADA of 1549.00 for 2010-11, which is based on a cohort study of past ADA. If P-2 comes in greater then the projected ADA, the state will fund at the higher rate.
2. A 5.02% statutory COLA is projected for the revenue limit in 2009-10 and 0.70% statutory COLA is projected for the revenue limit in 2010-11, both years reflect a revenue limit deficit of 13.094%, based on the current budget crisis within the State of California.
3. Lottery Income is projected at \$109.50 unrestricted and \$11.50 restricted.
4. Interest income projections 3.00% in fiscal year 2009-10 and 3.40% in fiscal year 2010-11.

EXPENDITURES - UNRESTRICTED

1. Certificated salaries are projected with a \$64,907 step and column increase for 2009-10 and a \$64,867 step and column increase in 2010-11. Consideration taken into account in fiscal year 2009-10, is a decrease of \$1,120,979 in certificated salaries to address the declining enrollment as well as the impact of the current State budget crisis.
2. Classified salaries are projected with a \$10,716 step increase in 2009-10 and a \$10,876 step increase in 2010-11. Considerations taken into account in fiscal year 2009-10, is a decrease of \$329,214 in classified salaries to address the impact of the current State budget crisis.
3. Supplies and Services were decrease by the approved budget reduction plan and then increase in utilities according to the California Consumer Price Index for each fiscal year.
4. The District has utilized the flexibility provisions allowed with Class Size Reduction (CSR), by projecting our Class sizes at 25.0 and over, the District would only be funded on 20 students and also received a 30% penalty. The flexibility allowed in CSR is generating income on behalf of the District in the amount of \$261,016. This flexibility is only allowed for fiscal year 2008-09 through 2011-12 fiscal year.
5. The District is showing a reduction in our contribution to Routine Restricted Maintenance Account (RRMA) from 3% to 1.5% as allowed under the State's enacted Budget Act. Reducing the General Fund contribution by approximately \$200,0000. The RRMA contribution reverts back to the 3% in 2013-14.
6. Under the 2009-10 enacted State Budget Act, programs identified as Tier III programs have been reduced by an additional 4.5% for fiscal year 2009-10, and have been identified as a potential source of dollars that Districts may use for any educational purpose. These dollars are currently budgeted under the services line item but as we build our 2009-10 budget, the District will be able to identify how they to maximize the use of those dollars to support our educational purpose.

2nd Interim Budget Assumptions (cont.)

RESTRICTED FUNDS

The income and expenditures in restricted funds, except for Special Ed, Transportation and Routine and On-going Maintenance, are driven by the amount of categorical funds we receive.

INCOME – RESTRICTED

1. Income in fiscal year 2009-10 is projected with an overall decrease of 21.00%, mainly due to the States budget crisis, but is also affected by the District's declining enrollment. Income in fiscal year 2010-11 is projected with an overall decrease of 3.38%, due to declining enrollment and reduction in the Reading First grant, which expires at the end of fiscal year 2009-10.

EXPENDITURES – RESTRICTED

1. Certificated salaries are projected with a \$9,692 step and column increase for 2009-10 and a \$9,837 step and column increase in 2010-11. Considerations taken into account in fiscal year 2009-10, is a decrease of \$458,648 in certificated salaries to address the State budget crisis.
2. Classified salaries are projected with a \$12,029 step increase in 2009-10 and a \$12,209 step increase in 2010-11. Considerations taken into account in fiscal year 2009-10, is a decrease of \$607,123 in classified salaries to address the impact of the current State budget crisis. Part of the Proposed Reduction Plan approved by the Board of Trustees, was the reduction of all categorically funded positions to allow the District time to identify how to maximize the use of those dollars to support our educational purpose.
3. Employee benefits decrease by 31.54% due to the reduction in employee's salaries in fiscal year 2009-10, and a decrease by 15.87% in fiscal year 2010-11. This District did increase the Health and Welfare benefits package by 3.5%, as an average increase that each fiscal year might see.
4. Total expenditures decrease by 19.93% in 2009-10 and decrease by 1.95% in 2010-11.