



Pomona Unified School District Fiscal Review

March 13, 2007

Joel D. Montero
Chief Executive Officer



March 13, 2007

Dr. Thelma Melendez de Santa Ana
Pomona Unified School District
800 South Garey Avenue
Pomona, California 91766

Dear Superintendent Melendez de Santa Ana,

In December 2006, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a fiscal review with the Pomona Unified School District. The agreement specified that FCMAT would:

1. Conduct a review of the district's budgeting processes and procedures, including budget development, budget updates and revisions, financial reporting, closing of the books including setup of current liabilities and accounts receivable, integration of position control, public presentations, communications, etc., and provide recommendations for improvements.
2. Conduct a review of the district's categorical programs to validate compliance with funding guidelines and financial reporting.
3. Prepare a Fiscal Health Risk Analysis based on 18 trends analyzed over the past five years and identify the district's risk rating.

The attached final report contains the study team's findings with regard to the above areas of review. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Pomona Unified School District.

Sincerely,

Joel D. Montero, Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

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Foreword

FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans

Since 1992, FCMAT has been engaged to perform more than 600 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Total Number of Studies 628

Total Number of Districts in CA..... 982

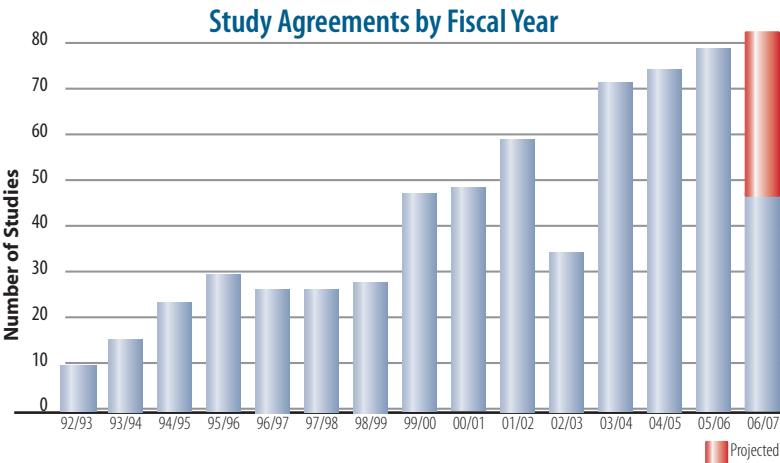
● Management Assistance..... 594 (94.59%)

● Fiscal Crisis/Emergency 34 (5.41%)

Note: Some districts had multiple studies.

● Districts (7) that have received emergency loans from the state.

(Rev. 2/7/07)



Introduction

Background

Located in Los Angeles County, the Pomona Unified School District has a five-member elected Governing Board. The district serves a diverse student population of approximately 31,779 in 28 elementary schools, six middle schools, four comprehensive high schools, one continuation school, one community day school and two alternative schools. The district also operates preschool and adult education programs. The district has experienced a decline in enrollment for the current and past several years.

The community has supported the district by passing three general obligation bonds since 1991 to provide funding for modernization and construction of new district facilities.

In September 2006 the Fiscal Crisis and Management Assistance Team (FCMAT) received a request for management assistance. The study agreement specifies that FCMAT will perform the following:

1. Conduct a review of the district's budgeting processes and procedures, including budget development, budget updates and revisions, financial reporting, closing of the books including setup of current liabilities and accounts receivable, integration of position control, public presentations, communications, etc., and provide recommendations for improvements.
2. Conduct a review of the district's categorical programs to validate compliance with funding guidelines and reporting.
3. Prepare a Fiscal Health Risk Analysis based on 18 trends analyzed over the past five years and identify the district's risk rating.

Study Team

The FCMAT study team was composed of the following members:

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Study Guidelines

FCMAT visited the district on December 19 and 20, 2006 to conduct interviews, collect data and review documentation. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Budget Processes and Procedures
- FCMAT Fiscal Health Risk Analysis
- Appendices

Executive Summary

Once a growing district, the Pomona Unified School District has experienced a significant decline in student enrollment that began in 2003-04 and continues with the current fiscal year. Due to the fiscal implications of declining enrollment and the mid-year state budget cuts a few years ago, the district has systematically reduced the budget by approximately \$30 million over the last several years to maintain fiscal solvency. The district has been proactive in planning for necessary staffing and future resources and has maintained a balanced budget despite declining student enrollment.

The district operates dual financial systems using the Los Angeles County Office of Education (LACOE) PeopleSoft system and its own in-house Smarte financial system. The Smarte system provides the district with financial reporting capability at the site level. It appears to be a more user-friendly system and allows budget managers to access fiscal information online. The Smarte system is uploaded daily into the LACOE system. The two systems are identical in content and mirror the detail transactions to the full account code level. Although working with a dual system may be cumbersome, each system has unique capabilities and appears to be well managed and works well within the business structure.

So that the budget development process and procedures are understood and followed by all sites and departments, the district should ensure that the process is clear, concise and well-published throughout the district. All budget stakeholders should have a good understanding of the budget process and how the budget reflects the district's goals and objectives. This may be accomplished with the approval and distribution of a detailed budget calendar as well as annual training for all those involved. Budget training is provided annually by the business office, and attendance should be required for all site and department managers. This will help ensure that managers return their completed budget development forms in a timely manner, thus reducing the number of budget transfers and revisions that are needed.

Revenues and expenditures for categorical programs should be reviewed and evaluated in the same manner as the unrestricted general fund. Carryover and deferred revenue of categorical programs should be similarly monitored. Categorical program budget development should be integrated with the district's goals and used to address student needs. Categorical funding should be spent in the year it is earned whenever possible. While the district should be prudent in allocating carryover funds, the current method has resulted in large carryover balances from year to year. The district should consider allocating a greater percentage of carryover funds once the books are closed so that the sites may spend the funds in a timely and deliberate fashion each year.

All requisitions for items to be paid with categorical funds are routed through the instructional services department for review and approval. This involves several thousand requi-

sitions and conference requests that are reviewed and approved solely by the Director of Federal and State Programs. This can be time-consuming and can cause delays in the purchasing process. A support staff employee could perform the initial review of these items and forward them to the director for final approval and signature. Another administrator could act as a backup to approve these items as needed in the director's absence.

There appears to be a lack of coordination between the school site plan and the budget, which often necessitates requisitions funded with restricted dollars to be returned to the sites or held for a budget transfer. As a result, sites spend their unrestricted dollars first because it is simpler and faster. The district should continue to provide training for site managers in an effort to align the site plan and site budget to help expedite the processing of purchase requisitions.

One of the most critical elements in budgeting expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of school district budgets, averaging 92% of the unrestricted budget in California's unified school districts. A fully functioning position control system helps districts maintain accurate budget projections, employee demographic data and salary and benefit information. The system should be fully integrated with payroll and budget modules, and should be used to update the budget at each reporting period.

The district's position control system is not yet fully integrated with the payroll, personnel and budget modules. While controls are in place to ensure that an individual staff member cannot create and pay an employee, an integrated position control system would permit the district to coordinate the functions of payroll, budgeting, hiring and monitoring staffing levels into one system, reducing the amount of staff time needed to maintain and process data. An integrated position control system will enhance the district's ability to adequately project and monitor salary and benefit costs throughout the budget cycle.

Monitoring staffing levels during budget development and throughout the year is important for school districts to maintain fiscal solvency. It is especially important for districts such as Pomona Unified, where enrollment is declining. The district has been proactive in monitoring staffing and should continue to do so to maintain approved levels and prevent overstaffing.

The district's Fiscal Health Risk Analysis score of two "No" responses places the district in the low range for risk and demonstrates a continued commitment to fiscal stability and oversight. The district should consider using the Fiscal Health Risk Analysis tool to conduct a self-evaluation each year and help keep it in the low range.

The two areas that were scored "No" do not represent a fiscal liability, but do identify areas where improvements can be made. These include: 1) the percentage of general fund unrestricted funds spent on salaries and benefits, which is slightly above the statewide average, and 2) the lack of an integrated position control system.

Budget Processes and Procedures

During the current and prior three fiscal years Pomona Unified School District has experienced a significant decline in student enrollment. In addition to the fiscal implications of declining enrollment and midyear cuts during the state budget crisis, the district has systematically reduced the budget by approximately \$30 million over the last several years to maintain fiscal solvency. Although enrollment has declined, the district has planned for necessary staffing and future resources and has maintained a balanced budget.

The district has not sponsored a charter school, although a state-sponsored high school charter is within the district's boundaries. The School of Arts and Enterprise charter held its first classes in September 2003 and has a current enrollment of approximately 285 students. According to district administrators, this charter has no apparent impact on the declining enrollment at the high school level.

With the arrival of a new superintendent in July 2006, the administrative responsibilities have been restructured to incorporate the maintenance and operations, facilities and technology services under the Assistant Superintendent, Chief Fiscal Officer Business Services. The former position of Assistant Superintendent of Maintenance, Operations and Facilities has also been restructured and now supervises the alternative education and adult education programs.

The district operates under dual financial systems using the Los Angeles County Office of Education's (LACOE) PeopleSoft system and its own in-house Smarte financial system. The Smarte system provides the district with financial reporting capability at the site level and allows budget managers to access fiscal information online. The Smarte system is uploaded daily into the LACOE system. The two systems are identical in content and mirror the detail transactions to the full account code level. An account technician reconciles the two systems daily. Although working with dual systems may be cumbersome, each system has unique capabilities, appears to be well managed, and works well within the business structure.

Budget Development

The district adopts its annual budget within the statutory timelines established by Education Code Section 42127, which requires that on or before July 1, the Governing Board holds a public hearing on the budget to be adopted for the subsequent fiscal year. No later than five days after adoption or by July 1, whichever occurs first, the Governing Board must file the budget with the County Superintendent of Schools.

The district's budget development cycle begins in January with a board review and discussion of the potential budget implications announced in the Governor's January budget proposal. During the ensuing months, district business personnel prepare enrollment and

ADA projections, revenue forecasts, site staffing ratios and expenditure assumptions for the new budget year.

In April, budget managers are given budget forms listing actual year to-date expenditure activity, projected site allocations and the district's budget goals and instructions. Usually, managers are requested to return their completed budget forms within two weeks to incorporate any changes into the adopted budget. Most budget forms are not returned by the deadline and budgets are merely rolled over from the current year.

Per pupil unrestricted site allocations are based on 80% of the enrollment projections and are adjusted to 100% shortly after the October CBEDS student count each fiscal year. Restricted programs are budgeted at 90% of the prior year approved funding allocation and staffing costs for those resources are kept at or below 60% of the site allocation. The district does not budget for any prior year deferred or carryover revenues until the actual amount of the carryover revenue has been determined through the year-end closing process. Following closure of the financial records, each school site is provided 15% of carryover funds for each categorical program. The remaining carryover amount is reallocated among the sites once the current year's consolidated application is approved. While the district should be prudent in allocating carryover funds, the current method has resulted in large carryover balances from year to year.

Maintaining the required carryover of no more than 15% of the district's entitlement of Title I funds has also proved challenging with the above disbursement method, and the district has consistently relied on the federal year-end closing date of September 30 to encumber or spend those restricted dollars.

These procedures lead to variances in budgets as adjustments are made for a portion of the prior year carryover and then again when actual allocations are known. This budgeting practice, if not clearly communicated to and understood at the site level, creates a sense of unclear revenue and expense budgets that are often difficult to explain to school site councils. This can result in budgets that do not match the approved school site plan.

Seasonal purchase order cutoff dates create an additional challenge to site and department managers. Given the continued delay of information from the state regarding the consolidated application, the district's practice of reallocating carryover at that time does not allow sites enough time to plan for and expend funding before the purchase order cutoff deadline.

Requests for additions and changes in staffing are incorporated in the budget process by a personnel requisition form that is reviewed by the business department for funding and by the personnel department for compliance with staffing allocations before being taken to the Superintendent's Cabinet for final review. If approved at the cabinet level, the personnel requisition is then taken to the Governing Board for approval.

District-level personnel are responsible for budgeting all contracted certificated and classified employee salary and benefit costs in unrestricted resources. Department and/or site managers are responsible to budget from their site allocation for any additional salary and benefit costs related to hourly and extra duty pay. Unrestricted site budget resources are allocated for departmental materials and supplies, other services and equipment purchases. Site restricted budgets are prepared by managers, with the required input and approval by school site councils for specific categorical programs, using program information provided by the instructional services department, staffing information provided by the personnel department and site allocation amounts provided by the business services department.

Ongoing budget revisions for revenues and expenditures are placed on the agenda for board approval at the last board meeting of each month. Revenues and expenditure budgets are reviewed, and some adjustments are made during the first and second interim reporting periods. Adjustments include items such as changes in funding levels for the class size reduction program and mandated cost reimbursement. The district follows recommended and prudent procedures for mandate cost reimbursement funds by recognizing only amounts that are no longer subject to state audit and setting aside the remainder. The district plans to recognize the remaining amount once the audit period has expired and the funds are no longer in jeopardy of being returned to the state due to an audit exception.

Employee contract negotiations typically begin each year in January. The collective bargaining agreement with the Associated Pomona Teachers (APT) covers the period of February 1, 2004 through January 31, 2007. The California School Employees Association (CSEA) contract runs from September 1, 2003 through August 31, 2006. The district adjusts its budget following each negotiations settlement.

The district appears to be proactive in training certificated managers in instructional issues. The business department also offers staff development opportunities to site principals and department/office managers each year on budget-related issues; however, principals and managers are not required to attend the budget training. More training is needed in budget development and business functions for site administrators and managers so they may better manage their resources and still have time to perform their other day-to-day functions.

Additionally, all personnel need an updated contact list of district staff that are responsible for specific functions and are available to answer questions or provide assistance in all areas, including attendance, personnel, payroll, payables and purchasing.

Recommendations

The district should:

1. Make the budget development process more transparent so that all district stakeholders have a clear understanding of the budget process and how the budget reflects the district's goals and objectives. A sample budget calendar is included in the appendix of this report for the district's review and consideration.
2. Require all site and department managers to return their completed budget forms to the business services department by the deadline provided.
3. Consider allocating a greater percentage of carryover once the books are closed so that the sites may spend the funds in a timely and deliberate fashion, thus reducing categorical carryover.
4. Revise the budget for anticipated revenues and expenditures during the interim reporting periods to more closely reflect the actual activity projected to help reduce variances in the ending fund balance between budget and actual activity. For example, the district includes vacant positions during initial budget development but does not adjust the budget if the positions have not been filled at key reporting periods during the year. Consider adjusting the budget throughout the year for these positions to recognize any onetime savings that have occurred.
5. Regularly provide training on budget-related issues to personnel with budget responsibility. Require routine training for all managers, and especially for those who are new to the district or to their position. Consider expanding the training to include other key site and department positions; for example, the personnel department.
6. Provide all personnel with an updated list of district staff responsible for specific functions who are available to answer questions or provide assistance in each operational area. Update and redistribute this list electronically, if possible, to site and district personnel whenever changes are made.

Budget Monitoring

An encumbrance is a commitment to purchase goods and services, including salary and employee benefit obligations. Encumbrances are a major source of budgetary control and are important to prevent overspending of an appropriation and budget line. The district's financial system has the ability to encumber all expenditure accounts. The system was recently upgraded to include the encumbrance of contracted salaries and benefits. This is an excellent way to monitor budgets to ensure that monies that have been committed are protected from being spent in any other manner. For non-salary items, encumbrances are established when the purchase order is issued and disencumbered when payment is made for the item. For contracted salary and benefit accounts, the annual amounts are encumbered and the encumbrance is adjusted after each monthly payroll is processed.

The Education Code states that amounts budgeted in each major object category shall be the maximum amount that can be expended under each classification. Budgets should be monitored during the fiscal year to ensure that appropriations are not overspent and that revenues received and expenditures made are the same as expected. If revisions need to be made, they are subject to board approval.

The district is using three test sites to implement a new online requisition system. It is anticipated that all district sites will be using the system at the beginning of the 2007-08 school year. Once site personnel are trained and the system is fully operational, it should take less time to process a requisition and receive the materials and/or services. The current system requires excessive employee time and effort.

Recommendations

The district should:

1. Continue to encumber all expenditures and monitor each account line on a routine basis.
2. Implement the online purchase order system for all sites as soon as possible to reduce the time spent processing requisitions manually. Set up the system to automatically verify fund availability in each account when the site or department enters the purchase requisition. If funds are not available, require a budget transfer before processing continues.
3. Provide extensive training when implementing any new system, such as the upcoming online requisition system.

Categorical Programs

The revenues and expenditures for categorical programs should be reviewed and evaluated in the same manner as the unrestricted general fund. Carryover and deferred revenue of categorical programs should be similarly monitored. Categorical program budget development should be integrated with the district's goals and used to address student needs. Categorical funding should be spent in the year it is earned whenever possible. The district needs to develop a spending plan to use these funds so they do not carry over from year to year unless there is a specific plan in place, such as saving for a future textbook adoption that will require accumulating funding over several years. The superintendent, superintendent's cabinet and business office should establish procedures to ensure that these funds are spent effectively to meet district and site goals.

All requisitions for items to be paid with categorical funds are routed through the instructional services department for review and approval. This involves several thousand requisitions and conference requests that are reviewed and approved solely by the Director of

Federal and State Programs. This is a time-consuming procedure and causes delays in the purchasing process.

Requisitions funded with unrestricted resources appear to travel through the system much faster than those funded with restricted resources, which require additional review and signoff by the instructional services department. A significant concern appears to be requisitions for employee conferences that are funded by restricted resources. Due to the short notice provided for some outside training opportunities, these requisitions often require a walk-through by a site or department manager to get the proper approval and signoff to make the registration date.

There appears to be a lack of coordination between the school site plan and the budget, which often necessitates requisitions funded with restricted dollars to be returned to the sites or held for a budget transfer. As a result, sites spend their unrestricted dollars first because it is simpler and faster. The district is providing training for site managers in an effort to align the site plan and site budget so that requisitions may be processed timelier. The district has recently contracted with School Services of California to assist sites in developing a system and process to align their budgets for restricted resources to the approved school site plan.

Restricted programs are charged the full indirect cost rate to offset some of the operational and overhead cost of running the program. However, the district does not take advantage of the mega-item and AB825 block grant transfer provisions for restricted programs.

Recommendations

The district should:

1. Aggressively evaluate categorical carryover to ensure that departments and sites use available dollars effectively. Develop a spending plan to use categorical funds so that they do not carry over from year to year unless there is a specific expenditure that requires accumulating contributions over several years. Require a monthly report from each manager from February to June describing how funds will be spent to reduce carryover balances.
2. Consider having a support staff employee in the instructional services department perform the initial review of all purchase requisitions for items to be paid with categorical/restricted funds, and then forward them to the director for signature to speed up the approval process.
3. Provide for a backup signature in the absence of the Director of Federal and State Programs to help prevent backlog and speed up approval of purchase requisitions.
4. Develop a system and process for site managers to ensure that their budgets for restricted resources align with the approved school site plan.

5. Investigate the viability of utilizing the mega-item and AB825 block grant transfer provisions in future budget cycles to determine whether these options would provide any additional funding flexibility.

Staffing Ratios

Staffing ratios are developed based on district formulas that include variables such as projected site enrollment and current collective bargaining contracts. District employees in the position control and personnel departments are responsible for the periodic review of enrollment and staffing ratios during the school year. Adjustments are made throughout the year to maintain staffing levels at the approved thresholds. District staffing formulas are not fully understood at the site and department levels.

In addition to the regular staffing ratios, the district provides a bank of supplemental full-time equivalent (FTE) positions in the budget to be used for program improvement needs. In the 2006-07 adopted budget, the bank of supplemental FTE included nine FTE for elementary schools, three FTE for the middle schools and eight FTE for the high schools. All supplemental positions, including the bank of 20 FTEs, are authorized for one fiscal year and are subject to annual review and reallocation during the budget approval process. There is a separate allocation in the unrestricted general fund for an additional 15 teachers to be used as the district's rotating substitutes.

Classified staffing is reviewed by district personnel to ensure it is consistent with approved ratios depending on student enrollment and base staffing needs.

All vacant teaching positions are budgeted at the average salary and benefit amount during initial budget development and are not adjusted in the current year budget if the position has not been filled at key reporting periods during the year.

Recommendations

The district should:

1. Continue to monitor the staffing levels at budget adoption and during the year to maintain approved levels and prevent overstaffing, particularly in light of the district's declining enrollment.
2. Continue to review and adjust classified support staffing levels according to site-specific student and unique facilities needs.
3. Share the district's staffing formulas with site and department managers to give them a better understanding of the process.
4. Consider adjusting the budget throughout the year for unfilled positions to recognize any onetime savings in salaries and benefits.

Position Control

One of the most critical elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of school district budgets, averaging 92% of the unrestricted budget in unified school districts throughout California.

A reliable position control system establishes positions by site or department and helps prevent overstaffing by ensuring that staffing levels conform to district-approved formulas and standards. To be effective, the position control system must be integrated with other financial modules such as budget and payroll. The position control functions must be separated to ensure proper internal controls. The controls must ensure that only board-authorized positions are entered into the system, that human resources hires only employees authorized by the board and that the payroll department only pays employees hired into authorized positions. The proper separation of duties is a key factor in creating strong internal controls and a reliable position control system.

Internal controls help ensure efficient operations, reliable financial information and legal compliance. They also help protect the district from material weaknesses, serious errors and fraud. These controls should be in place for any position control system. The following table provides a suggested distribution of labor between the business and personnel departments to help provide the necessary internal control structure.

| Task | Responsibility |
|--|----------------------|
| Approve or authorize position | Governing Board |
| Input approved position into position control, with estimated salary/budget. Each position is given a unique number. | Business Department |
| Enter demographic data into the main demographic screen, including: Employee name Employee address Social Security number Credential Classification Salary schedule placement Annual review of employee assignments | Personnel Department |
| Update employee benefits Review and update employee work calendars Annually review and update salary schedules | Business Department |
| Account codes Budget development Budget projections Multiyear projections Salary projections | Business Department |

The rollover of position control data from the current fiscal year to the budget year provides a starting point for development of the district's budget and should be completed early in the cycle. The position control files for the budget year should then be updated to eliminate positions as necessary, add new approved positions, make changes in statutory and health and welfare benefit rates and make any other adjustments that will affect salaries and benefits for the budget year. A fully functioning position control system helps districts maintain accurate budget projections, employee demographic data and salary and benefit information. The system should be fully integrated with payroll and budget modules and used to update the budget at each reporting period.

The district utilizes two software systems for integration of position control, payroll and the budget processes. The position control module is used to upload salary and benefit data only during initial budget development. The salary and benefit revisions for all other reporting periods are completed manually using the LACOE Human Resources System (HRS) system.

The district uses its in-house system (Smarte) to monitor staffing and formulate the budget for contracted salaries and benefits during the budget development cycle. As a starting point in the cycle, the April payroll is downloaded by a consultant from HRS to create a salary and benefit budget model in the Smarte financial system. The Smarte budget model is updated by district staff with planned personnel changes, retiree information, statutory benefit rates and projected district costs for health and welfare benefits. Site staffing ratios are compared to projected student enrollment and adjusted accordingly; any necessary vacant positions are budgeted based on the average cost of salary and benefits of a new hire. Other salary costs, such as substitutes, stipends and extra duty pay, are not included in the position control model and must be entered manually into the budget.

The position control technicians provide a link between the payroll and personnel departments, with monthly meetings to discuss problem areas, budget processes and other related issues. Position control departmental responsibilities include creating and maintaining the LACOE HRS and Smarte system information along with providing management with data to monitor current year enrollment and staffing ratios at the site level. A matrix spreadsheet that lists pertinent financial data on any open position is compiled and reviewed at a cabinet meeting before any action can take place to fill it. Because of the district's declining enrollment and resultant implications for staffing, this has provided a necessary ongoing budget review.

The district's position control system is not yet fully integrated and does not include a specified numbering system for each approved position. While controls are in place to ensure that an individual staff member cannot create and pay an employee, integrated position control would permit the district to coordinate the functions of payroll, budgeting, hiring and monitoring staffing levels into one system, reducing the amount of staff time needed to maintain and process data. This would enhance the district's ability to adequately project and monitor salary and benefit costs.

Recommendations

The district should:

1. Fully integrate position control to coordinate the functions of budgeting, personnel and payroll into one system.
2. Investigate expanding the position control system to allow uploading of salary and benefit information for each reporting period. Consider including the salaries and benefits of all positions in the position control system, including substitutes, overtime and extra duty, rather than entering them manually. This method will allow position control to help regulate the budget throughout the year and ensure that salary and benefit lines are not overexpended.
3. Implement a standard numbering system for each approved position to be able to quickly reconcile all positions in the system.
4. Provide position control and payroll technicians with in-service training in the Standardized Account Code Structure (SACS) to ensure that line items are coded correctly and any coding errors are detected as early as possible.

Equipment Replacement Allocations

The district does not have a budget or allocation policy for replacing furniture and equipment at schools. Budget materials showed that schools are expected to use site discretionary funds or categorical funds to replace such items as computers.

Recommendations

The district should:

1. Consider establishing a district-wide funding policy and budget for new equipment and equipment replacement.

Accounting/Year End Closing

The payroll department uses one account code to process the pay warrants for substitute employees. Accounting personnel are then required to make manual accounting entries to charge substitutes to the proper account codes. This procedure creates processing delays, budgets that don't reflect the true cost in a timely fashion and additional work and analysis for accounting personnel.

The accounting technicians are responsible for reconciling and maintaining the equality of the two systems, the LACOE PeopleSoft and in-house Smarte financial systems, during the fiscal year and at year-end closing.

Accounts receivable that are established during year-end closing are reviewed each month and cleared to zero by March. Accounts payable are processed in-house and uploaded to the LACOE PeopleSoft system. Year-end closing liabilities are also reviewed monthly and cleared to zero by March. Accurately determining liabilities and receivables is a critical step in the year-end closing process. Every attempt should be made to clear the prior year payables and receivables within the first 60-90 days following June 30 of that year.

Recommendations

The district should:

1. Consider the feasibility, given current payroll deadlines, of using the correct account code for substitutes when entering payroll rather than making transfers at a later date.
2. Continue to review year-end closing entries monthly and clear any outstanding entries as soon as possible. Make every attempt to clear the prior year payables and receivables within the first 60-90 days following June 30.

FCMAT's Fiscal Health Risk Analysis

Key Survival Questions

1. Deficit Spending - Is this area acceptable?

Yes

- **Is the district spending within its budget in the current year?** Yes
This analysis coincided with the timing of the first interim report, reflecting expenditure levels for the period of July-October. Approximately 15% of the projected operating budget has been spent. In school district budgets, spending cycles vary throughout the fiscal year.
- **Has the district controlled deficit spending over multiple years?** No
The level of deficit spending has fluctuated over the prior six years.
- **Is the deficit spending addressed by fund balance, ongoing revenues, or expenditure reductions?** Yes
Deficit spending has been addressed by a combination of sources.

Reported Deficit Spending Amounts

| 2001-02 Audit | 2002-03 Audit | 2003-04 Audit | 2004-05 Audit | 2005-06 Audit | 2006-07 First Interim Projection |
|------------------|------------------|------------------|------------------|------------------|--|
| \$3,378,078* | (\$14,383,512) | (\$556,033) | \$7,677,055 | \$4,004,815 | (\$6,997,448) |

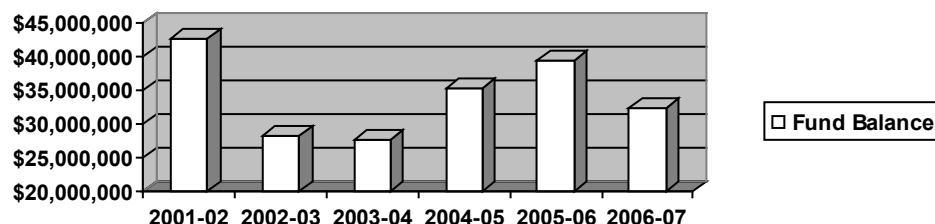
*The 2001-02 independent audit report included a notation that the district incurred operating surpluses in the prior three years.

2. Fund Balance - Is this area acceptable?

Yes

- **Is the district's fund balance consistently above the recommended reserve for economic uncertainty?** Yes
- **Is the district's fund balance consistently increasing?** No
The general fund ending balance has fluctuated over the prior six years.

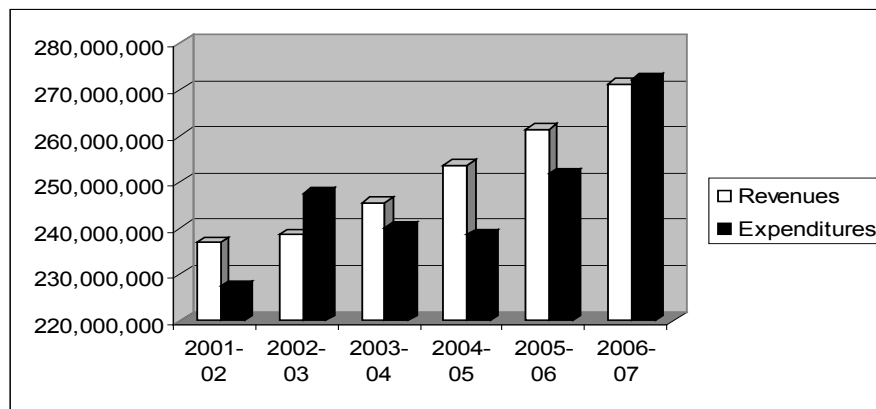
| 2001-02 Audit | 2002-03 Audit | 2003-04 Audit | 2004-05 Audit | 2005-06 Audit | 2006-07 First Interim Projection |
|------------------|------------------|------------------|------------------|------------------|--|
| \$42,547,287 | \$28,163,775 | \$27,607,742 | \$35,284,797 | \$39,289,612 | \$32,292,164 |



The district does not budget salary increases, other than step and column, for the upcoming year in the June adoption budget. Total general fund salaries included in the 2006-07 first interim report are \$162,322,214. A 1% increase to all salaries would be equivalent to \$1.6 million plus corresponding increases for STRS, PERS, OASDI, Medicare, unemployment insurance and Workers' Compensation, resulting in a material change to the projected fund balance.

- **Is the fund balance increasing due to ongoing revenues and/or expenditure reductions?** No

The fund balance is not increasing. General fund revenues have increased annually over the prior six years. Expenditure reductions are reflected in 2003-04 and 2004-05 while expenditures increased in 2005-06 and 2006-07.



3. Reserve for Economic Uncertainty - Is this area acceptable? **Yes**

- **Is the district able to maintain its reserve for economic uncertainty in the current and two subsequent years based on current revenue and expenditure trends?** Yes

The district's reserve level has been maintained over the prior five years and is projected to meet the minimum reserve level requirement of 2% in 2007-08 and 2008-09. The district accounts for designated uses of portions of the unrestricted fund balance. At the 2006-07 budget adoption, the district designated funds for program carryovers, certificated and classified substitute rate increases, additional general fund positions, Governing Board priorities (to be determined), 20% holdback for school controllable purposes, mandated cost reimbursements, E-Rate matching funds, and the continuation of programs/net loss of revenue due to declining enrollment.

The Criteria and Standards established under EC 33127 and updated under AB 2756 (Daucher 2004) sets minimum required reserve levels grouped by district LEA. Pomona Unified is currently within the 2% reserve band of 30,001 to 400,000 students but will fall into the 3% reserve level if student ADA levels reach 30,000 or below. For this reason, the district's 2006-07 first interim report includes a 3% reserve level for the current and two subsequent years.

| 2001-02 Audit | 2002-03 Audit | 2003-04 Audit | 2004-05 Audit | 2005-06 Audit | 2006-07 First Interim | 2007-08 Projection | 2008-09 Projection |
|------------------|------------------|------------------|------------------|------------------|-----------------------------|-----------------------|-----------------------|
| 2.78% | 3.48% | 2.00% | 2.00% | 2.15% | 3.0% | 3.0% | 3.0% |

- Was the district able to maintain its reserve in 2003-04 and 2004-05 without using the state flexibility? Yes
- Is the district aware that the reserves must be restored with the 2005-06 budget? N/A
- Is there a plan to restore the 2005-06 reserve for economic uncertainty? N/A

4. Enrollment - Is this area acceptable?

Yes

- Has the district's enrollment been increasing or stable for multiple years? No
Is the district's enrollment projection updated at least semiannually? Yes
Information from the district shows growth in student enrollment from 1990-91 through 2002-03, with 2003-04 showing a minimal decline of 15 students (approximately .04%). 2006-07 CBEDS enrollment was 3,633 less than the October 2003-04 level of 35,412 and is projected to continue to decline.

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 (proj.) | 2008-09 (proj.) |
|-------|---------|---------|---------|---------|---------|---------|--------------------|--------------------|
| CBEDS | 35,070 | 35,427 | 35,412 | 34,657 | 33,294 | 31,779 | 30,800 | 30,126 |

- Are staffing adjustments consistent with the enrollment trends? Yes
- Does the district analyze enrollment and average daily attendance (ADA) data? Yes
- Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? Yes

5. Unrestricted or Free Balance - Is this area acceptable?

Yes

- Is the district's unrestricted or free balance maintained throughout the year? Yes
- Does the district consistently have fund balance above the required reserve? Yes
Although the fund balance exceeds the required reserve level, the district identifies designated amounts that will be funded by amounts that exceed the required reserve.

6. Interfund Borrowing - Is this area acceptable?**Yes**

- **Can the district manage its cash flow without interfund borrowing?** Yes
Interfund receivables/payables are made for the purpose of allocating indirect charges to the child development and cafeteria funds.
- **Is the district repaying the funds within the statutory period?** N/A

7. Bargaining Agreements - Is this area acceptable?**Yes**

- **Has the district settled bargaining agreements at or under COLA during the past three years?** Yes

In 2003-04 the funded COLA* was -1.20% and the district COLA was 0.00%.

In 2004-05 the funded COLA* was 2.41% and the district provided one-time bonuses ranging from 1.86% to 3.73% depending on the bargaining unit. In 2005-06 the funded COLA was 4.23%* and the district COLA ranged from 2.25% to 4.50% plus a one time bonus, depending on the bargaining unit. At the time of FCMAT's visit, the Associated Pomona Teachers (APT) received a 2.25% increase in February as per contract, and all units saw an increase in the district contribution toward health and welfare benefit costs.

*Source: School Services of California, for an average district

- **Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?** Yes
- **Did the district correctly identify the related costs above the COLA?** N/A
Did the district address budget reductions necessary to sustain the total compensation increase? Yes, when necessary.
The term of each agreement is February through January, resulting in a 50% increase being realized each fiscal year and allowing the district to better plan for necessary reductions.
- **Did the Superintendent and CBO certify the agreement prior to ratification?** Yes
The district is about to enter into negotiations for this year. The APT agreement covers the period of February 2004 thru January 2007.
- **Is the governing board's action consistent with the superintendent's/CBO's certification?** N/A

8. General Fund - Is this area acceptable?**No**

- **Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average?** No

The latest 2004-05 data certified by CDE identified average unrestricted salary and benefit general fund cost for a unified school district as 92.03% of total expenses, not including transfers out and other uses.

| | | |
|---|-----------------|---------------------|
| Pomona Unified | 2005-06 Actuals | 2006-07 1st Interim |
| Salary and benefit % of unrestricted budget | 92.67% | 93.18% |

- **Is the district making sure that only authorized restricted dollars pay for permanent staff?** Not confirmed by FCMAT.

9. Encroachment - Is this area acceptable?

Yes

- **Is the district aware of the contributions to restricted programs in the current year (identify cost, programs and funds)?** Yes
As required by SACS, the district must balance each restricted resource (program) using a “contribution to restricted programs” when necessary. In the district’s 2006-07 first interim report, projected general fund contributions totaled \$23,219,671 based on contributions to the following resources:

| | |
|--------------------------------|--------------|
| Other federal resources | \$91,200 |
| Special Education | \$10,076,714 |
| Home to School Transportation | \$2,043,309 |
| Special Ed Transportation | \$3,023,448 |
| Other state resources | \$144,020 |
| Routine Restricted Maintenance | \$7,840,980 |

- **Does the district have a reasonable plan to address increased encroachment trends?** Yes
- **Does the district manage its encroachment from other funds such as Special Education, adult, cafeteria, child development, etc.?** Yes
The district’s adopted budget typically includes vacant positions for Special Education to address the fiscal impact of filling these positions. Because the Special Education program often has a large number of unfilled positions, the first interim report reflects a decrease in the number of unfilled positions and therefore a decrease in the contribution level. The district’s child development, adult, and cafeteria funds do not require general fund support.

10. Management Information Systems – Is this area acceptable?

Yes

- **Is the district data accurate and timely?** Yes
- **Are the county and state reports filed in a timely manner?** Yes
- **Are key fiscal reports readily available and understandable?** Yes
- **Is the district on the same financial system as the county?** Yes
The district uses the LACOE PeopleSoft system as well as its in-house Smarte financial system. Budget and accounts payable information is sent to the county office for uploading to PeopleSoft. Payroll is completed using the LACOE Human Resource System (HRS) and downloaded into the Smarte system. A daily reconciliation is completed between Smarte and PeopleSoft to account for all transactions.

11. Position Control - Is this area acceptable?**No**

- **Is position control integrated with payroll?** No

The Smarte system includes a position control module that is used for budgeting salaries and benefits. Information from the HRS system is loaded into Smarte during budget development, and the business office works closely with Personnel Services to confirm staffing levels throughout the year. Payroll is processed from the HRS system.

An integrated position control system could permit the district to coordinate the functions of payroll, budgeting, and monitoring hiring and staffing levels into one system, reducing the amount of staff time needed to maintain and process data.

- **Does the district control unauthorized hiring?** Yes

12. Budget Monitoring - Is this area acceptable?**Yes**

- **Is sufficient consideration given to the budget related to long-term bargaining agreements?** Yes

The business office prepares multiyear financial scenarios during negotiations to identify the impact of proposed increases.

- **Are budget development and monitoring processes in place?** Yes
- **Does the district openly discuss the impact of budget revisions at the board level?** Yes
- **Are budget revisions made or confirmed by the board at the same time the collective bargaining agreement is ratified?** Yes

Has the district decreased its long-term debt from the prior fiscal year? Yes
Long-term debt decreased by \$7,987,214 from June 2005 to June 2006.

| Classification of Debt | Balance as of June 2005 | Balance as of June 2006 | Source of Payment |
|-----------------------------|-------------------------|-------------------------|--|
| General obligation bonds | \$148,290,000 | \$144,625,000 | Voter supported debt |
| Lease revenue bonds | \$37,825,000 | \$37,055,000 | Transfer from special reserve for capital projects |
| Accumulated vacation – net | \$677,476 | \$793,021 | General fund |
| Capital leases | \$1,058,713 | \$775,057 | General and child development funds |
| Early retirement incentives | \$3,383,867 | \$0 | General fund |
| State school building loans | \$1,015 | \$779 | Tax override fund |
| Total | \$191,236,071 | \$183,248,857 | |

- **Has the district identified the repayment sources for the long-term debt?** Yes

13. Retiree Health Benefits - Is this area acceptable?

Yes

- **Has the district completed an actuarial calculation to determine the unfunded liability?** No

The actuarial report for the district's unfunded liability was in process at the time of the study team's visit. The district provides post employment health benefits to age 65 in accordance with bargaining unit contracts to eligible employees who retire from the district on or after attaining age 55 with at least 15 years of service.

Eligible certificated retirees are entitled to a 50% benefit and eligible classified retirees are entitled to a 100% benefit, based on the amount of the basic benefit allocation for a full-time active employee.

- **Does the district have a plan for addressing the retiree benefits liabilities?** Yes
The district uses the "pay as you go" method of funding retiree benefits. In 2005-06, the cost was \$603,991.
- **Has the district conducted a re-enrollment process to identify eligible retirees?** Not confirmed by FCMAT.

14. Leadership/Stability - Is this area acceptable?

Yes

- **Does the district have a Superintendent and/or a Chief Business Official that has been with the district for more than four years?** Yes

The district hired a new Superintendent in July 2006 following the retirement of the former superintendent of 12 years. The current CBO has been with the district in this position from 2001 to the present.

- **Does the Governing Board adopt clear and timely policies and support the administration in its implementation of those?** Yes
- **Does the Governing Board refrain from micromanaging?** Yes

15. District Liability - Is this area acceptable?

Yes

- **Has the district performed the proper legal analysis regarding potential lawsuits that may require the district to maintain increased reserve levels?** Yes.

As recorded in the 2005-06 Annual Financial Report (audit), "... in the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2006."

The district is self-insured for property and liability and Workers' Compensation. The actuarial report for the Workers Compensation program dated August 2005 states the present value of estimated outstanding losses as of June 30, 2005 as \$8,077,988. The present value of projected ultimate limited losses for 2005-06 and 2006-07 was estimated to be \$3,689,045 and \$3,915,582, respectively.

District staff reported that sufficient reserves are maintained and the rate applied to payroll costs has been reduced.

- **Has the district set up contingent liabilities for anticipated settlements, legal fees, etc?** N/A

16. Charter Schools - Is this area acceptable?

Yes

The district does not have any sponsored charter schools. The School of Arts and Enterprise, located in Pomona, is a state-sponsored charter high school serving approximately 285 students.

- **Has the charter school received a satisfactory independent audit without material findings?** N/A
- **Has the charter school retained its charter with the authorizing agency?** N/A
- **Has the charter school avoided an involuntary bankruptcy petition?** N/A

17. Audit Report – Is this area acceptable?

Yes

- **Did the district receive an audit report with material findings?** No
The 2005-06 audit report included an overall unqualified opinion with no material findings. With regard to federal awards, the district was identified as a low-risk auditee. With regard to state awards, the auditor noted reporting conditions not considered to be material weaknesses. The finding was based on compliance issues for the School Accountability Report Card (SARC) related to facilities evaluations for non-decile schools. The district had not posted the evaluations on the SARC. Procedures are in place to maintain and verify the accuracy of SARC to ensure compliance.
- **Can the audit findings be addressed without impacting the district's fiscal health?** Yes

18. Facilities – Is this area acceptable?

Yes

- **Has the district passed a general obligation bond?** Yes
The district has issued multiple general obligation bonds to finance school facilities and refund prior debt. Debt service payments are made from the bond interest and redemption fund with local revenues from the property tax levy.
- **Has the district met the audit and reporting requirements of Proposition 39?** Yes
The district provided the study team with copies of general obligation bond financial and performance audits for Measure J 2002 Series A, B, C, and D, dated June 30, 2005. No exceptions were noted.
- **Is the district participating in the state's school facilities program?** Yes
The district has received funds for new construction projects funded out of Proposition 55, and for modernization.
- **Does the district have sufficient personnel to properly track and account for facility-related projects?** Yes

The district provided the review team with cash flow projections for the 2006 Facilities Projects list. Each project is defined by the location, purpose, estimated budget, cumulative prior year expenditures, 2006-07 estimated expenditures, and estimated balance to finish the project after 2006-07. Unfunded projects are also listed.

- **Does the district have surplus property that may be sold or used for lease revenues?** No

In May 2004 the district entered into an agreement for the sale and leaseback of the Village Tower land and building and vacant land on Phillips Avenue with Valley Academies Foundation, a non-profit corporation, for a total of \$5,957,000. The district entered into a ten-year capital lease for use and occupancy of the properties.

- **Are there other potential statutory options?** N/A
- **Does the district have a facilities master plan that was completed or updated in the last two years?** No

The district does not have a facilities master plan but does have a facilities handbook and a School Facility Needs Analysis and Justification Study (developer fee study) completed by School Facility Consultants in February 2006. District staff indicated that the last facility master plan was completed in 1991-92.

| RISK ANALYSIS - SUMMARY | | | |
|---|-----------------|-------------|-----------------------|
| Total the number of areas that were not acceptable ("No" responses). | | | |
| Use the key below to determine the level of risk to the district's fiscal health. | | | |
| 0-3 | 4-6 | 7-10 | 11-18 |
| Low | Moderate | High | Extremely High |

The district's Risk Analysis Summary and total score of two "No" responses places the district in the low risk range. The district has demonstrated continued commitment to fiscal stability and oversight. The two areas scored "no" do not represent a fiscal liability, but identify areas where improvements can be made.

The first "no" rating is based on the calculated cost of general fund unrestricted salaries and benefits expressed as a percentage of total expenditures, not including transfers out and uses. Although it is not irregular, the district's level of 92.67% in 2005-06 and 93.18% at 2006-07 first interim is higher than the CDE reported statewide average for a unified district.

The second "no" rating is based on the lack of an integrated position control system that would allow the district to collect data for the purposes of paying employees, monitoring hiring and staffing levels, and automating the budgeting of salaries and benefits for budget development and interim reporting. In most cases the integrated system also reduces duplication of effort between the business and personnel departments. Implementation

of a fully integrated position control system does not alleviate fiscal problems for school districts but does represent one of the most important tools available to manage the highest area of cost in a school district's general fund budget.

Appendices

Appendix A - Sample Budget Guidelines Calendar

Appendix B - Study Agreement

SAMPLE HIGH SCHOOL DISTRICT BUDGET GUIDELINES

I. INTRODUCTION

The High School District 200X-0X Budget Guidelines closely parallel the 200X-0X Budget Guidelines within resources available. It is intended that the budget development process will allow an individual manager the appropriate flexibility to budget the resources which he or she deems necessary to achieve success for a given program. Therefore, only general allocations will be made to the Division/School level with very few restrictions directed toward specific expenditures. The flexibility of the budget development process is consistent with the participative management concept of the district.

Available resources are limited. It is anticipated that district enrollment will show a growth of 316 students in 200X-0X. The state cost of living adjustment (COLA) for 200X-0X is not known at this time. Adjustments to allocations may be made once this information becomes available. Consequently, the challenge to each manager is to achieve established objectives within the framework of existing budgetary constraints.

II. RESPONSIBILITY FOR BUDGET DEVELOPMENT

- A. Board of Trustees - The ultimate responsibility for the High School District budget lies with the Board of Trustees, whose primary budget development tasks include establishing budget criteria and reviewing, directing, and approving the Budget and the Revised Budget.
- B. Superintendent - The Superintendent oversees and directs the budget development process and submits the Budget and the Revised Budget to the Board of Trustees for approval.
- C. Superintendent's Cabinet - The Superintendent's Cabinet studies and reviews budget amounts and processes, and serves as the primary decision-making unit in the allocation of funds to District components.
- D. Superintendent's Council - The Superintendent's Council reviews and makes recommendations concerning budget-related processes.
- E. Assistant Superintendent, Business Services - The Assistant Superintendent, Business Services has the primary responsibility with respect to budget development processes, budget guidelines, and distribution of all budget documents.

SAMPLE HIGH SCHOOL DISTRICT
BUDGET GUIDELINES

- F. Division Heads/Principals - The budget will be formulated on a participative management basis with Division Heads and School Principals responsible for the budgets of their respective divisions or schools.
- G. Department Coordinators - Department Coordinators will be responsible for developing the objectives of their programs and submitting budget requests to Division Heads or Principals in accordance with approved objectives and budget guidelines.
- H. Business Services Staff - The Business Services staff will assist Division Heads and Principals in the budget development process, provide required data to the Assistant Superintendent, Business Services, and communicate all budget-related matters to the appropriate instructional and support staff. The Business Services staff is responsible for entries to the computerized budget report for a given division/school.
- I. Other District Personnel, Students and Citizens - Budget development will allow for input from representatives of the community, parents, students, bargaining units and members, and site administrators to provide the Board with recommendations for budget priorities. Consideration will be given to all budget recommendations provided by employees, students and citizens.

III. BUDGET DEVELOPMENT CRITERIA

- A. General Fund budgeted expenditures will not exceed budgeted revenue and/or reserves, except by the amount of authorized funds carried over from the fiscal year 200X-0X budget, in accordance with Board policy and state law. The district's overall fiscal situation and State reserve requirements will be considered to determine if the district can still qualify for interim financing.
- B. The budget format will be based on the California School Accounting Manual and utilize the Standardized Account Code Structure (SACS).
- C. Basic allocations for staffing and budget will be established in the same manner at each comprehensive high school, regardless of availability of supplemental resources (e.g. Title I). This policy assures that the District complies with Title I comparability requirements.
- D. The Cafeteria Fund operating budget will show a positive fund balance as stipulated by Education Code requirements and the Board of Trustees.

SAMPLE HIGH SCHOOL DISTRICT
BUDGET GUIDELINES

- E. Projected costs of current operations will be budgeted within the General Fund for the District's Health & Welfare program, which includes health, dental, vision care, long term disability and life insurance programs, and for Workers' Compensation. Transfers will also be budgeted as needed for Property and Liability deductibles to the insurance funds, where disbursements will be made during the year. Actual transfers for H & W and Workers' Compensation will be based on the established contribution rates and the numbers of employees/salaries covered
- F. A transfer to the Deferred Maintenance Fund will be budgeted at a level which will, at a minimum, entitle the District to the maximum amount of State matching funds and ensure our continuing eligibility for modernization and hardship funding. The funds will be expended for projects approved by the State under the District's five-year plan.
- G. The Adult Education Fund, as mandated by the State, will show revenues and expenditures for the adult education program. By law this fund cannot be supported through General Fund monies, nor can Adult Education Fund monies be used to support the General Fund.
- H. Funds generated from Developer Fees will be placed in the Capital Facilities Fund-Developer Fees and expenditures will be incurred in accordance with Board-approved construction/reconstruction projects.
- I. Redevelopment project revenues will be placed in the Capital Facilities Fund-Redevelopment and used for payment of the District's Certificate of Participation (COP) obligation.

IV. BUDGET CONCEPTS

- A. Comprehensive schools will receive the following budget allocations:
 - 1. Teacher Staffing Allocation
 - 2. Instructional Aide Allocation. Bilingual aides are funded through supplemental grant E.I.A. monies
 - 3. Other Specific Personnel Allocation for regular non-instructional staff

SAMPLE HIGH SCHOOL DISTRICT
BUDGET GUIDELINES

4. An amount of \$295,143 to provide funds for classified service exempt employees as listed on the classified salary schedule (including benefit costs), allocated to the comprehensive high schools on the basis of 200X-0X third month ending enrollment. This allocation is partially funded from supplemental grant SIP monies.
5. A lump sum allocation for extra pay assignments as provided in contract for each high school and the Academy for Performing Arts.
6. An allocation of \$1,500 per comprehensive high school and \$500 each for ___HS and ___HS for strategic planning.
7. An allocation of \$2,000 for the MERITS program at ___HS.
8. The cost of International Baccalaureate membership for ___HS.
9. A WASC allocation in the amount of \$12,192 as follows:

| | |
|---------------------|---------|
| Facilitator Stipend | \$5,232 |
| 10 Release Days | \$ 960 |
| WASC Fee | \$4,000 |
| Supplies, etc., | \$2,000 |

Based on the following schedule:

200X/0X – 200X/0X ___HS, ___HS, ___HS, ___HS, ___HS

200X/0X – 200X/0X ___HS, ___HS, ___HS

10. An allowance of \$25,000 for ___HS and \$10,000 for ___HS to support athletics. These amounts may be adjusted for State COLA.
11. An allowance of \$7,500 for each comprehensive high school for repair and replacement of band instruments (may be adjusted for State COLA).
12. \$25,000 towards replacement of band uniforms at one comprehensive high school per year based on the following funding schedule (may be adjusted for COLA):

| | |
|---------------|---------------|
| 200X/0X ___HS | 200X/0X ___HS |
| 200X/0X ___HS | 200X/0X ___HS |
| 200X/0X ___HS | 200X/0X ___HS |
13. Individual comprehensive memberships in the National Association of Secondary School Principals (NASSP) for all principals, a comprehensive membership in the Association for Supervision and Curriculum Development (ASCD) for all principals and a premium membership for the Assistant Superintendent, Educational Services.
14. The District will budget to fund an allocation for the cost of replacing one classroom set of 40 student desks per school, providing the school spends a like amount for a second classroom set.
15. Lump Sum Allocation for all Non-Personnel Expenditures computed in accordance with item IV-D below.
16. Special Needs Allocation (optional).
17. Community Facilities Allocation (HS and ___HS)
18. Academy for Performing Arts (APA)

SAMPLE HIGH SCHOOL DISTRICT
BUDGET GUIDELINES

- B. The teacher staffing allocation for comprehensive schools will be based on projected enrollment for the upcoming year.
- C. The other specific personnel allocations for four-year comprehensive schools include the allocations as required by the Master Plan for Special Education.
- D. The lump sum allocation for comprehensive schools will be determined in the following manner:

A lump sum allocation of Seventy-seven and 14/100 Dollars (\$77.14) per enrollee for all non-personnel expenses at the comprehensive school level will be based on the third month's ending enrollment of the 200X-0X school year. This allocation may be increased once the State's COLA percentage is known. An adjustment will be made in December of 200X for changes in month 3 enrollment. This non-personnel allocation is in addition to the allocation for classified service exempt employees (item IV.A.4), Student Workers (item IV.M) and the IMF (categorical) allocation.

- E. A special needs allocation for the comprehensive schools will be determined by the Superintendent's Cabinet in accordance with requests or program objectives submitted by each comprehensive school and the ability of the district to provide such an allocation. The total available for this purpose for all sites will be determined at a later time. The special needs allocation may include additions to any or all of the allocations previously listed. Requests for special needs allocations should be made in writing to the Superintendent's Cabinet. The major criterion used in considering a request will be the uniqueness to a particular school of the expenditure being proposed. Special needs allocations are for one year only.
- F. All returning personnel will be budgeted at a dollar amount consistent with placement on the appropriate salary schedule. All foreseeable class and step increases in FY 200X-0X must be budgeted.
- G. New or vacant teaching positions should be budgeted at the appropriate step of the Teachers' Salary Schedule, if known, or Step III/6 if not known. Budget adjustments will be made without reward or penalty if actual salaries are less than or greater than budgeted salaries.
- H. Teacher Substitutes Regular will be budgeted at the school level based on 6.5 days per full-time teacher.

SAMPLE HIGH SCHOOL DISTRICT
BUDGET GUIDELINES

- I. All new or vacant classified personnel positions should be budgeted at the level of Step 3 of the appropriate class.
- J. No deviation from standardized classified personnel allocation may be made without prior written approval of the Superintendent.
- K. Classified substitutes and overtime will be budgeted at 2.0% of eligible salaries in each category.
- L. The budget for Student Workers will be \$23,489. This amount will be allocated among the comprehensive high schools based on the third month's ending enrollment for 200X-0X.
- M. The budget shall have an "Appropriation for Contingencies" or Reserve of not less than three (3) percent of expenditures, the minimum level recommended by the State for a district our size.

V. **BUDGET DEVELOPMENT CALENDAR**

The following page is a Budget Development Calendar, which conforms to current law and requirements of the Board of Trustees.

BUDGET DEVELOPMENT CALENDAR 200X-0X

| <u>DATE</u> | <u>FUNCTION</u> | <u>RESPONSIBILITY</u> |
|---------------------|---|--------------------------------------|
| December | Adoption of Budget Calendar | Board of Trustees and Superintendent |
| December | Approval of Budget Guidelines | Board of Trustees |
| December | Distribution of Budget Development Materials to Divisions and Sites | Business Services Division |
| December to January | Preparation of Preliminary Budgets by Divisions and Sites | Division and Site Administrators |
| January | Submission of Preliminary Budgets to Business Division | Division and Site Administrators |
| February to April | Preparation of Preliminary Draft of Budget and Data Processing | Business Division |
| As needed | Study Sessions on Preliminary Budget | Board of Trustees and Staff |
| June | Public Hearing on Budget | Board of Trustees |
| June | Adoption of Budget | Board of Trustees |
| July or before | Filing of Budget at County Office | Assistant Supt. - Business Services |
| July or before | Review of Budget | Business Services Division |
| August | Public Hearing on Revised Budget | Board of Trustees |
| August | Adoption of Revised Budget | Board of Trustees |
| Sept. or before | Filing of Revised Budget at County Office | Assistant Supt. - Business Services |

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
November 13, 2006

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Pomona Unified School District, hereinafter referred to as the District, mutually agree as follows:

1. BASIS OF AGREEMENT

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

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The scope and objectives of this study are to:

- 1) Conduct a review of the District's budgeting processes and procedures, including budget development, budget updates and revisions, financial reporting, closing of the books including setup of current liabilities and accounts receivable, integration of position control, public presentations, communications, etc., and provide recommendations for improvements.
- 2) Conduct a review of the Districts categorical programs to validate compliance with funding guidelines and financial reporting.
- 3) Prepare a Fiscal Health Risk Analysis based on eighteen trends analyzed over the past five years and identify the Districts risk rating.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to

date and memorializing the topics discussed in the exit meeting.

- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.

3. PROJECT PERSONNEL

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

- A. Diane Branham, FCMAT Fiscal Intervention Specialist
- B. Margaret Rosales FCMAT Fiscal Consultant
- C. FCMAT Categorical Consultant

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

4. PROJECT COSTS

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

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the elements noted in section 2 A, the total cost of the study is estimated at \$13,000. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District
- C. Any change to the scope will affect the estimate of total cost.

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

5. RESPONSIBILITIES OF THE DISTRICT

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
 - 1) A map of the local area
 - 2) Existing policies, regulations and prior reports addressing the study

- request
- 3) Current organizational charts
 - 4) Current and four (4) prior year's audit reports
 - 5) Any documents requested on a supplemental listing
 - 6) **Study team members will require internet connections while working at the District offices to access FCMAT's Budget Explorer**

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

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

6. PROJECT SCHEDULE

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

| | |
|-------------------------------|----------------------|
| Orientation: | December 19, 2006 |
| Staff Interviews: | December 19-21, 2006 |
| Exit Interviews: | December 21, 2006 |
| Preliminary Report Submitted: | February 1, 2007 |
| Final Report Submitted: | To be determined |
| Board Presentation: | To be determined |

7. CONTACT PERSON

Please print name of contact person: Pam Lopez, Asst Supt of Business

Telephone 909 397-4800, ext 3888 FAX 909 622-5895

Internet Address pam.lopez@pomona.k12.ca.us


 Dr. Thelma Melendez de Santa Ana, Superintendent Date
 Pomona Unified School District

 Nov 13, 2006
 Barbara Dean, Deputy Administrative Officer Date
 Fiscal Crisis and Management Assistance Team

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.



Date: November 8, 2006

To: Pam Lopez, Assistant Superintendent Business Services
Pomona Unified School District

From: Fiscal Crisis & Management Assistance Team

Subject: Documents required for FCMAT study
(All documents should be ready and available at the orientation meeting scheduled for xxx xx, xxxx)

FCMAT DOCUMENT CHECKLIST

FISCAL

- ☐ First Interim 2006-07 Dat. file (Electronic SACS data file that will be imported into software) Email to Project Lead, Diane Branham at dbranham@fcmat.org
- ☐ 2006-07 Adopted budget, SACS document, all funds, including narrative for Board presentation, and financial system reports by Fund, Resource and Object (2 Digit) for all funds to match current working budget, and First Interim report, all components and board presentation materials
- ☐ 2005-06 First, Second and Third (If required) Interim reports, SACS document, all funds, including narrative for Board Presentation
- ☐ Approval letters from County Office for Budget, and Interim reports, 2004-05 through 2006-06
- ☐ 2006-07 Revenue limit worksheets, including all schedules
- ☐ Five years of independent audit reports
- ☐ Long term debt schedule
- ☐ Any district multi year projections outside of the SACS multi year format (Excel)
- ☐ Any outside review or analysis or recommendations relative to the district's financial condition
- ☐ Information on any supplemental revenue sources, like parcel taxes, foundations, redevelopment funds, General Obligation Bonds etc.
- ☐ Identification of one time dollars in 2006-07, including ending balances and deferred revenue from 2005-06
- ☐ 2005-06 cash flow and 2006-07 projected cash flow statements
- ☐ 2005-06 and 2006-07 General Ledger report, by Resource

COLLECTIVE BARGAINING

- ☐ Current salary proposals, both district and bargaining unit(s)
- ☐ AB1200 impact of most recent salary settlement disclosure
- ☐ Salary schedules & Scatter gram, all employee groups
- ☐ Collective Bargaining Agreements, all employee groups
- ☐ Position Control spreadsheet, district wide summary by fund, identifying FTE, and formatted by unrestricted and restricted totals, if available
- ☐ District organizational chart, Departmental organizational charts

ENROLLMENT & ADA

- ☐ Historical & current enrollment, by grade level
- ☐ Enrollment projections for next five years
- ☐ 2004-05, 2005-06 and 2006-07 Attendance reports, P-1 and P-2
- ☐ Current Fiscal Year CBEDS, by grade level
- ☐ Staffing allocations by fund, resource and grade level
- ☐ Data regarding inter & intra-district transfers
- ☐ Data regarding residential housing starts
- ☐ Current Student Generation Factor (SGF), if applicable

CHARTER SCHOOLS

- ☐ Historical & current enrollment, by grade level
- ☐ Enrollment projections for next five years (if available)
- ☐ 2004-05, 2005-06, and 2006-07 Attendance reports, P-1 and P-2
- ☐ Current Fiscal Year CBEDS, by grade level
- ☐ Current and Prior Year Audit Reports

RISK MANAGAMENT

- ☐ Actuarial Report for Health & Welfare Benefits
- ☐ Actuarial Report for Workers Compensation
- ☐ History of Health & Welfare Rates- Prior 3 years
- ☐ Copy of District Plan to address Retiree Benefits, if applicable
- ☐ Copy of Golden Handshake provisions including cost analysis, if applicable

FACILITIES

- ☐ Copy of Ballot Language for General Obligation Bonds
- ☐ Copy of COPs or other financing mechanisms for facilities funding
- ☐ Annual Developer Fee Justification Report
- ☐ Developer Fee Facilities Needs Analysis Report
- ☐ Facility Master Plan
- ☐ Facility Cash Flow – all Capital Projects Funds
- ☐ List of Surplus Property

All documents should be ready and available at the orientation meeting scheduled for xxxxx at x:xx a.m.