FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

San Mateo County Office of Education

Management Review

June 4, 2007

Joel D. Montero
Chief Executive Officer

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

June 4, 2007

Dr. Jean Holbrook, Superintendent of Schools
San Mateo County Office of Education
101 Twin Dolphin Drive
Redwood City, CA 94065

Dear Superintendent Holbrook:

In March 2007, the San Mateo County Office of Education entered into a study agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) regarding the San Mateo Union High School District. The study agreement specifies that FCMAT will do the following:

1. Prepare a multiyear financial projection of all the district's funds using FCMAT's Budget Explorer software to identify the financial condition of the district's funds in 2007-08 and 2008-09 using identified industry variables. The projection will be based on the district's 2006-07 second interim report and revenue and expenditure trends of recent years.
2. Prepare a fiscal health analysis using the 18 factors included in the FCMAT Fiscal Health Risk Analysis model, and identify the district's risk rating.
3. Conduct a review of the district's budgeting processes and procedures and provide recommendations for improvements if necessary.
4. Conduct a review of the district's instructional minutes for the 2006-07 school year.
5. Conduct a review of the receipt and recording of redevelopment agency funds.

FCMAT visited the district to interview employees, collect data and review information. This report is the result of that effort. We appreciated the opportunity to serve you, and please give our regards to all the staff of the San Mateo County Office of Education.

Sincerely,

Joel D. Montero
Chief Executive Officer

FCMAT
Joel D. Montero, Chief Executive Officer
1300 17th Street - City Centre, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • www.fcmat.org
Administrative Agent: Larry E. Reider - Office of Kern County Superintendent of Schools

Table of Contents

Foreword iii

Introduction 1

Executive Summary 3

Findings and Recommendations 9

Lack of Going Concern 9

Multiyear Financial Projection 15

Fiscal Health Risk Analysis 35

Budget Processes and Procedures 49

Instructional Minutes 57

Redevelopment Agency Funds 59

Appendices 65

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.

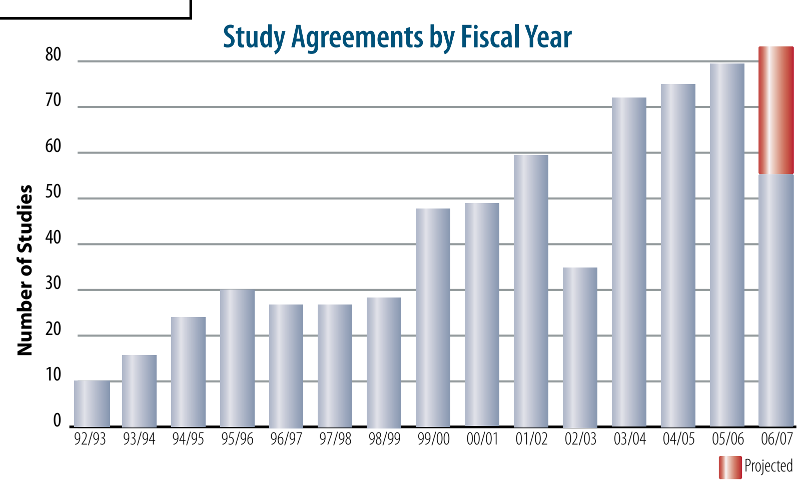
Total Number of Studies 637
Total Number of Districts in CA.......... 982

- Management Assistance............................ 603 (94.66%)
- Fiscal Crisis/Emergency 34 (5.34%)

Note: Some districts had multiple studies.

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

(Rev. 4/3/07)



Introduction

Background

Located in San Mateo County, the San Mateo Union High School District has a five-member elected Governing Board. The district serves a student population of approximately 8,600 in six comprehensive high schools and one continuation school, and also operates an adult education program. San Mateo Union experienced an increase in student enrollment during the previous four years but has declined in enrollment during the current year.

The community has supported the district by passing two general obligation bonds since 2000 to provide funding for modernization and construction of new district facilities.

In February 2007, the Fiscal Crisis and Management Assistance Team (FCMAT) received a request for management assistance from the San Mateo County Office of Education. The study agreement specifies that FCMAT will perform the following:

1. Prepare a multiyear financial projection of all the district's funds using FCMAT's Budget Explorer software to identify the financial condition of the district's funds in 2007-08 and 2008-09 using identified industry variables. The projection will be based on the district's 2006-07 second interim report and revenue and expenditure trends of recent years.

2. Prepare a fiscal health analysis using the 18 factors included in the FCMAT Fiscal Health Risk Analysis model, and identify the district's risk rating.

3. Conduct a review of the district's budgeting processes and procedures and provide recommendations for improvements if necessary.

4. Conduct a review of the district's instructional minutes for the 2006-07 school year.

5. Conduct a review of the receipt and recording of redevelopment agency funds.

Study Team

The FCMAT study team was composed of the following members:

Anthony Bridges
FCMAT Deputy Executive Officer
Atascadero, California

Leonel Martinez
FCMAT Public Information Specialist
Bakersfield, California

Diane Branham
FCMAT Fiscal Intervention Specialist
Tehachapi, California

Linda Grundhoffer
FCMAT Consultant
Danville, California

Margaret Rosales
FCMAT Consultant
Kingsburg, California

Study Guidelines

FCMAT visited the district on March 19-21, 2007 to conduct interviews, collect data and review documentation. This report is the result of those activities and is divided into the following sections:

I. Executive Summary
II. Lack of Going Concern
III. Multiyear Financial Projection
IV. Fiscal Health Risk Analysis
V. Budget Processes and Procedures
VI. Instructional Minutes
VII. Redevelopment Agency Funds
VIII. Appendices

Executive Summary

Lack of Going Concern

Assembly Bill 1200 was enacted in 1991 and provided additional authority and responsibility to county offices. In June 2004, Assembly Bill 2756 was passed and made substantial changes to the financial accountability and oversight processes used to monitor the fiscal condition of school districts and county offices of education. AB 2756 strengthened the role of the Superintendent of Public Instruction (SPI), the county office of education (COE) and the Fiscal Crisis and Management Assistance Team (FCMAT) and their ability to intervene during fiscal crises.

If a district is not able to meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the County Superintendent of Schools must notify the Governing Board of the district and the Superintendent of Public Instruction (SPI). The county office must follow Education Code 42127.6 when assisting a school district in this situation. Assistance may include assigning a fiscal expert to advise the district on financial issues, conducting a study of the district's financial and budgetary conditions and requiring the district to submit a proposal for addressing its fiscal condition.

The San Mateo County Office of Education *conditionally approved* the San Mateo Union High School's 2006-07 budget on August 10, 2006. The district submitted a revised budget which was *approved* by the COE on October 9, 2006. The revised budget still projected a shortfall of more than $600,000 toward meeting the required 3% reserve. The district's first interim report was *qualified* by the district and reflected a shortfall of more than $750,000 toward meeting the required reserve. The district's 2006-07 second interim report was also *qualified* by the district and reflected a shortfall of over $777,000 in meeting the required 3% reserve designated for economic uncertainties. The district has established a recovery plan and has been working to reduce cost and eliminating support positions in an effort to control deficit spending and regain fiscal solvency.

Assembly Bills 1200 and 2756 require the district to meet specific criteria and certify that it will meet its financial obligations for the current and two subsequent fiscal years. Based on the current spending pattern and multiyear budget assumptions, the district *will not* meet the 3% required reserve level in 2006-07 and 2007-08 without a detailed plan to continue to reduce expenditures and cease deficit spending. The board, administration and community will need to continue identifying potential areas of reduction and sustain fiscal solvency. Otherwise, the district may require outside financial assistance to eliminate deficit spending and may face the loss of local governance and decision-making authority.

The term "lack of going concern," when applied to an agency, business or organization, means that the entity is not fiscally healthy and unable to meet its financial obligations. Education Code Section 42127.6 has often been referred to as the "lack of going concern" section.

The San Mateo County Office of Education is at a critical juncture in determining the district's financial solvency. Based on the findings and recommendations of this report and the district's inability to sustain the required reserve levels for the current and two subsequent fiscal years, the county office will need to determine whether a "lack of going concern" letter should be issued in an effort to stabilize and more closely monitor the district's financial solvency.

The district is a basic aid school district that receives a majority of its funding from local property tax revenues in place of the state revenue limit calculation based on average daily attendance. The district's basic aid status requires the district to be conservative when estimating property taxes each year.

Several issues have contributed to the district's current budget situation including an overestimation of property taxes in prior fiscal years, deficit spending and cost overruns for capital facilities projects. The district must exercise extreme caution regarding budgetary issues such as the estimation of property taxes, negotiation settlements, staffing levels, deficit spending and the need to maintain reserve levels above the state-required minimum.

An additional issue of concern is the impact of future collective bargaining agreements. While it is important to maintain competitive salaries and benefits to retain staff, the district must also measure its ability to support the impact of increases to total compensation. The district has not settled salary compensation issues for the 2006-07 fiscal year, but recently reported to FCMAT that a tentative agreement has been reached between the district and the certificated bargaining unit, which will be presented to the Governing Board for ratification in June. The district needs to follow the guidelines of AB 1200 and AB 2756 regarding public disclosures and the detailed analysis required before ratifying all collective bargaining agreements.

Multiyear Financial Project

In developing and implementing the multiyear financial projection (MYFP), the district's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The district is confronted by substantial fiscal challenges that require difficult decisions to be made and implemented. The district's goal of sustaining a balanced budget will be extremely difficult because of future demands for salary and benefit compensation and projected increases of general fund contributions for long-term debt.

As previously mentioned, FCMAT's multiyear financial projection reflects that the district *will not* meet its 3% reserve requirement in the 2006-07 and 2007-08 fiscal years. FCMAT's MYFP for the unrestricted general fund uses the 2006-07 Governor's budget proposal and the Financial Dartboard as outlined by School Services of California. The projection *does not include any annual cost-of-living adjustments for employee compensation or increases in the district's contribution toward health and welfare benefits in the current or two subsequent fiscal years as these items are considered during the local collective bargaining process*. In keeping with the district's second interim budget report, contingency funding for potential liabilities, including property tax settlements and rebates as well as an Unfair Labor Practice filed with the Public Employee Relations Board regarding the district's contribution for health and welfare benefits, were included in the 2006-07 budget. If these liabilities do not materialize, any remaining contingency funds may reflect an increase to the ending balance in the current year.

The district implemented a mid-year recovery plan in 2006-07 to help reduce deficit spending and try to meet the 3% reserve requirement. If these reductions continue into the 2007-08 fiscal year, some additional savings may be realized because the plan will have been implemented for a full year. However, FCMAT did not receive the information needed from the district in time to include a full year's savings in its MYFP.

To evaluate an MYFP, much attention is focused on the bottom line. If the bottom line demonstrates a positive unappropriated fund balance, this amount may be used by the district for enhancements such as improved educational programs or employee compensation. If the unappropriated fund balance is negative, the deficit balance is the amount by which the budget must be reduced to sustain the recommended reserve levels. The summary reflects a negative balance in the 2006-07 and 2007-08 fiscal years. The projected reserve levels could be increased slightly if the reserve for mandated cost claims is deposited in fund 17, special reserve for other than capital outlay, rather than fund 40, special reserve for capital outlay.

Multiyear Financial Projection Summary General Fund Unrestricted Resources Only			
Description	Base Year 2006-07	Year 1 2007-08	Year 2 2008-09
Total Revenues	$77,558,888	$79,763,240	$82,377,071
Total Expenditures	66,972,608	67,747,288	68,129,941
Total Other Financing Sources/Uses	-13,108,181	-11,036,789	-11,251,966
Net Increase (Decrease) in Fund Balance	-2,521,901	979,163	2,995,164
Fund Balance:			
Beginning Balance	2,569,756	47,856	1,027,019
Total Ending Balance	47,856	1,027,019	4,022,182
Components of Ending Fund Balance:			
Revolving Cash	15,000	15,000	15,000
Stores	40,000	40,000	40,000
Other Designated (COP debt service)		475,000	475,000
3% Reserve Requirement	2,844,391	2,737,877	2,760,326
Undesignated/Unappropriated	$0	$0	$731,856
Negative Shortfall	-$2,851,535	-$2,240,858	$0

Rounding used in all calculations

Other Funds

The review of the district's other funds reflects deficit spending in the areas of child development and the cafeteria. The district should complete an in-depth analysis for both of these funds to evaluate how they can be self-sustaining instead of requiring contributions from the general fund to operate.

In March 2007, the district issued certificates of participation (COP) to re-fund three prior COP issues and provide additional funding for capital facility projects due to cost overruns. The district plans to use funds from redevelopment agencies, developer fees and the general fund to make the annual debt service payments for the 2007 COP. Although the multiyear projections indicate that the COP payments can be made for the next two years using RDA and developer fee revenue, the district will need to monitor these and future years closely. As the COP payments increase, additional funds may be required from the general fund to make the annual COP payment. The current projection indicates that a general fund contribution of $259,211 will be needed in 2009-10, and a contribution of $1,058,807 will be needed in 2010-11.

In 2005-06, a deposit of $1 million was made to the general fund as the result of a legal settlement regarding construction. Because this settlement was the result of costs associated to the building fund, these funds need to be transferred to the building fund and have been included in FCMAT's MYFP. The 2005-06 independent audit report referred to an indirect charge of $500,000, which was transferred from the building fund to the general fund. Since indirect charges are not allowed in the building fund, the funds need to be transferred back to the building fund and have been included in FCMAT's MYFP. If transfers for indirect charges were assessed to the building fund in prior years, those funds will also need to be repaid.

The 2005-06 independent audit report reflects three transfers totaling $633,945 from the capital facilities fund to the general fund. It states that these transfers were for operating costs and the district's deferred maintenance match. Because transfers for operating costs and the deferred maintenance match are not normally allowed from the capital facilities fund, FCMAT has shown a transfer back to capital facilities in its MYFP.

The district, with concurrence from the county office, may wish to consider a multiyear repayment plan for the $1.5 million transfer to the building fund and the $633,945 transfer to the capital facilities fund instead of repaying the entire amount in the current fiscal year.

Fiscal Health Risk Analysis

The district's Fiscal Health Risk Analysis summary and total score of 12 "no" responses is in the extremely high risk range, and this should be reviewed each fiscal year. The key areas of concern are deficit spending, the fund balance, the reserve for economic uncertainty, enrollment, the unrestricted fund balance, interfund borrowing, bargaining agreements, encroachment, position control, budget monitoring, the audit report and facilities. The district should carefully consider the analysis and recommendations for each of these areas of concern with an immediate goal of reducing the current level of risk to the district's fiscal health.

Budget Process

The district's budget development calendar is detailed and timely in some areas, but it is not timely regarding enrollment and staffing projections. These projections should be completed by mid-January and involve staff members from human resources, business, curriculum and instruction and the site personnel responsible for the master schedules. Site and department budget managers should be involved throughout the annual budget development process and should be provided with annual training on budget-related issues. The budget development process should involve all parties so that they have a clear understanding of the process and how the budget reflects the district's goals and objectives.

One of the most critical elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. To help ensure proper staffing levels and budget the proper amounts for salary and benefit costs at all reporting periods, the district should develop current staffing formulas for all positions and use them as a guide to determine staffing allocations for each site and department. Staffing levels should be monitored at budget adoption and throughout the year to maintain approved levels and prevent overstaffing. The district should ensure that proper internal controls are maintained for the position control system by separating the duties between the Business and Human Resources departments. The position control system should be kept current and be fully integrated to coordinate the functions of budget, personnel and payroll.

Instructional Minutes

A seven-period schedule was implemented in 2006-07 at all comprehensive high schools. The district should review each master schedule to ensure that offerings are broad enough and a sufficient number of staff is provided to accommodate all students wishing to take the optional seventh period so that the period can count towards the required number of annual instructional minutes.

Redevelopment Agency

Redevelopment Agency (RDA) payments are the inflationary revenues resulting from growth in the base year value of real property in a specified redevelopment project area. In no event shall the percentage increase for any assessment year determined pursuant to the Revenue and Taxation Code Section 110.1(f) exceed two percent of the prior year's value. This statutory requirement is consistent with Proposition 13 and subsequent initiatives, which in the absence of new construction or certain changes in ownership, state that assessed value increases in the current fiscal year may not exceed two percent or the percentage increase in the Consumer Price Index (CPI) in the previous calendar year, whichever is less. Because of the district's basic aid status, 43.3% of the RDA funds could be utilized in the unrestricted general fund, but the annual COP debt service payments necessitate the use of all RDA funds at this time.

It is imperative that the district track and account for each capital facility project and reconcile each project on a fund basis. The district has relied extensively on an outside firm to oversee the project budgets, and district staff does not appear to have had complete knowledge of the budgets or the amount spent for each project. Significant cost overruns have occurred, and long-term debt (COPS) has been issued to pay for these costs. Based on current projections, the COP payments will have a negative effect on the general fund of approximately $259,000 in 2009-10 and approximately $1 million in 2010-11. Increased general fund contributions may be required for debt service in the future given the estimates of redevelopment agency and developer fee revenues. Any further cost overruns for capital facilities projects will compound this situation.

Findings and Recommendations

Lack of Going Concern

Assembly Bill 1200 was enacted in 1991 and provided additional authority and responsibility to county offices. In June 2004, Assembly Bill 2756 (Daucher) was passed and signed into law on an urgency basis. The legislation made substantive changes to the financial accountability and oversight processes used to monitor the fiscal condition of school districts and county offices of education. AB 2756 strengthened the role of the Superintendent of Public Instruction (SPI), the County Office of Education (COE) and the Fiscal Crisis and Management Assistance Team (FCMAT) and their ability to intervene during fiscal crises.

The 15 most common predictors of a school district needing intervention, as referenced in AB 2756 and included in recently amended Education Code Sections 42127 and 42127.6 are as follows:

1. Governance crisis.
2. Absence of communication to education community.
3. Lack of interagency cooperation.
4. Failure to recognize year-to-year trends.
5. Flawed ADA projections.
6. Failure to maintain reserves.
7. Insufficient consideration of effects of long-term bargaining agreements.
8. Flawed multiyear projections.
9. Inaccurate revenue and expenditure estimates.
10. Poor cash flow analysis and reconciliation.
11. Bargaining agreements beyond state COLA.
12. No integration of position control with payroll.
13. Limited access to timely personnel, payroll and budget control data and reports.
14. Escalating general fund encroachment by categorical programs.
15. Lack of regular monitoring of categorical programs.

Conditions in the San Mateo Union High School District match *a majority* of the criteria for districts needing assistance from the county office and/or the state of California.

The San Mateo County Office of Education *conditionally approved* the district's 2006-07 budget on August 10, 2006. The district submitted a revised budget, which was *approved* by the county office on October 9, 2006. The revised budget still projected a shortfall of more than $600,000 toward meeting the required 3% reserve. The district's first interim report was *qualified* by the district and reflected a shortfall of more than $750,000 toward meeting the required reserve. The district's 2006-07 second interim report was also *qualified* by the district and reflected a shortfall of more than $777,000 in meeting the required 3% reserve designated for economic uncertainties. In the current year, the district has established a recovery plan and has reduced cost and eliminated support positions in an effort to control deficit spending and regain fiscal solvency.

The San Mateo County Office of Education concurred with the district's *qualified* certification of the second interim report based on information submitted by the district. The county office identified six areas of concern:

1. Inconsistency of data provided by the district.
2. Estimated costs and/or projected savings for educational services for students in county-operated special education programs.
3. Estimated costs and/or projected savings for educational services for students in charter schools.
4. Deficit spending in five of the prior six fiscal years.
5. Projected negative ending balance in the building fund.
6. A board-approved multiyear reduction and fiscal stabilization plan was not submitted with the report.

The term "lack of going concern," when applied to an agency, business or organization, means that the entity is not fiscally healthy and unable to meet its financial obligations. Education Code Section 42127.6 has often been referred to as the "lack of going concern" section. E.C. 42127.6 was recently amended to include the provisions of AB 2756. These provisions include the following:

I. A district shall, pursuant to E.C. 42127.6, provide the county superintendent of schools with a copy of any study, report, evaluation, or audit that contains evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the district by FCMAT or any regional team created pursuant to subdivision (i) of Section 42127.8.

II. The county superintendent of schools shall review and consider these studies, reports, evaluations or audits that contain evidence that the district is demonstrating fiscal distress under the standards and criteria, or that contain a finding by an external reviewer that more than three of the 15 most common predictors of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team, are present.

III. The county superintendent of schools shall investigate the financial condition of the school district and determine if the school district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or should receive a qualified or negative interim financial certification pursuant to E.C. Section 42131.

    1. If at any time during the fiscal year the county superintendent of schools determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or if the district

has a qualified or negative certification, the county superintendent shall notify the governing board and the SPI in writing of that determination and the reasons for the determination. The notification shall include the assumptions used and shall be available to the public. The county superintendent shall report to the SPI on the financial condition of the district and proposed remedial actions. The county superintendent shall adhere to E.C. 42127.6 in assisting the school district by doing at least one of the following (This is a paraphrased narrative of the code section. Please refer to E.C. 42127.6 for a complete listing):

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

(B) Conduct a study of the financial and budgetary conditions of the district. If expertise is needed for the study, the COE may hire staff with the approval of the SPI. The school district shall pay 75 percent and the COE shall pay 25 percent of those staff costs. County offices of education are eligible to request their 25 percent costs through a FCMAT reimbursement with the approval of the California Department of Education and the Department of Finance.

(C) Direct the school district to submit a financial projection of all fund and cash balances of the district for the current and subsequent fiscal years.

(D) Require the district to encumber all contracts and other obligations, to prepare appropriate cash flow analyses and budget revisions, and to record all receivables and payables.

(E) Direct the district to submit a proposal for addressing its fiscal condition.

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

(G) Assign FCMAT to review teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers and the extent of teacher misassignment in the school district. If a review team is assigned, the district shall follow the recommendations of the team.

Any contract entered into by the county superintendent of schools for the purposes of this subdivision is subject to the approval of the SPI.

2. If, after taking any or all of the actions cited in E.C. 42127.6 (A-G), the county superintendent determines that a district will be unable to meet its financial obligations for the current or subsequent fiscal year, the county superintendent shall notify the governing board and SPI in writing. The notification shall include the county superintendent's assumptions in making the determination and shall be provided to the superintendent of

the school district and the parent and teacher organization of the district. Within five days of the determination, an appeal may be made to the SPI by the district. Within 10 days of the appeal, the SPI shall sustain or deny any or all parts of the appeal. During the appeal process, the county superintendent may stay any action of the governing board that is inconsistent with the district's ability to meet its financial obligations in the current or subsequent fiscal year [E.C. 42127.6 (c) (d)].

3. If the appeal is denied or not filed, or if the district has a negative certification, the county superintendent, in consultation with the SPI, shall take at least one of the actions described in paragraphs (A) to (E), and all actions that are necessary to ensure that the district meets its financial obligations. These actions include the following (refer to E.C. 42127.6 (e) for a complete listing):
    - (A) Develop and impose, in consultation with the SPI and the governing board, a budget revision.
    - (B) Stay or rescind any action that is determined to be inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal year.
    - (C) Assist in developing, in consultation with the governing board of the school district, a financial plan that will enable the district to meet its future obligations.
    - (D) Assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year.
    - (E) As necessary, appoint a fiscal advisor to perform any or all of the duties required of the county superintendent under this section.
4. No later than five days after receipt of the notice that the county superintendent of schools is proposing changes to the district's budget pursuant to E.C. 42127.6 (e), the district may appeal the change to the SPI on the basis of impact to programs, requirement of unnecessary reductions or conflict with state and federal law. The SPI has five days to deny or uphold the appeal [E.C. 42127.9].
5. Any action taken by the county superintendent of schools under this subdivision shall be accompanied by a notification that shall include the actions to be taken, the reasons for the actions, and the assumptions used to support the necessity for these actions.
6. The school district shall pay 75 percent and the COE shall pay 25 percent of the administrative expenses incurred pursuant to E.C. Section 42127.6 (e) or costs associated with improving the district's financial management practices. County offices of education are eligible to request their 25 percent costs through a FCMAT reimbursement with the approval of the California Department of Education and the Department of Finance.

IV. This section does not authorize the county superintendent to abrogate any provisions of a collective bargaining agreement that was entered into by a school district prior to the date upon which the county superintendent of schools assumed authority [E.C. 42127.6 (g)].

Recommendations

The county office should:

1. Evaluate the findings and recommendations in this report, and determine whether a “lack of going concern” letter should be issued in an effort to stabilize and more closely monitor the financial solvency of the district.

2. Closely monitor the district’s cash flow to ensure that the monthly cash balance is sufficient to meet payment obligations.

Multiyear Financial Projection

Multiyear financial projections (MYFP) are required by AB 1200 and AB 2756 and are a part of the budget and interim reports. They should be produced accurately and timely and contain the most current fiscal information available. These projections allow the district and the county to project revenues and expenditures and help ensure that the district will be able to meet its financial obligations in the current and two subsequent fiscal years. In developing and implementing the multiyear financial projection, the district's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance.

If a district is not able to meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the County Superintendent of Schools must notify the Governing Board of the district and the Superintendent of Public Instruction (SPI). The county office must follow Education Code 42127.6 when assisting a school district in this situation. Assistance may include assigning a fiscal expert to advise the district on financial issues, conducting a study of the district's financial and budgetary conditions and requiring the district to submit a proposal for addressing its fiscal condition. In the case of a district that does not meet its required reserve levels, the intent of the MYFP is to assist the county and the district in formulating a plan to regain fiscal solvency and restore the required ending fund balance.

The district's 2006-07 second interim budget was *qualified* by the district due to a shortfall of more than $777,000 in meeting the required 3% reserve designated for economic uncertainties. In the current year the district has established a recovery plan and has reduced cost and eliminated support positions in an effort to control deficit spending and regain fiscal solvency.

San Mateo Union is a basic aid school district that receives a majority of its funding from local property tax revenues in place of the state revenue limit calculation based on student average daily attendance (ADA). Public school districts receive funding from a variety of local, state, and federal sources. Some funds are earmarked for specific purposes, such as special education and home-to-school transportation, while most of the funds are used to support the general purpose operating expenses of the district.

The complex state revenue limit funding calculation provides for funding per ADA using a combination of local property taxes and state taxes. However, in the case of San Mateo Union High School District and approximately 60 other school districts throughout the state, the local property tax base is greater than the amount a district would receive using the per student ADA calculation. In such a case, the district is entitled to keep the tax overage and is eligible for limited funding from within the revenue limit calculation for ancillary hourly programs.

The district historically has maintained low average class sizes. While this practice is admirable, the policy has direct financial implications that must be considered when weighing the benefits students receive against the cost of increased staffing. The district should review staffing ratios to ensure that ratios are within employee contract guidelines, meet the needs of students and agree with approved district goals and objectives.

Districtwide, classified overtime appears to be excessive, with some employees receiving large amounts of overtime compensation. Since overtime can be a costly way to provide services, prior approval should be required for all overtime worked. The district should review overtime costs and employee effectiveness, along with associated reimbursement of salary costs from outside agencies, as a total component when evaluating the cost of this service. Examples of associated reimbursement of these costs include facility use, field trips and other agency contracts. In addition, the district's facility use fee schedule has not been updated for several years. This document should be reviewed and updated to ensure that all appropriate fees are included for reimbursement.

Salary negotiations are ongoing and have not been settled with the bargaining units for the current year. The key component of the previous compensation formula was a calculation based on the increase in local property tax. The MYFP is currently projecting salaries and benefits as 87.3% of the unrestricted expenditure budget in 2006-07; 87.2% in 2007-08 and 86.9% in 2008-09. The MYFP uses the numbers of staff at the 2006-07 second interim level in the projection years and adds four full-time equivalent (FTE) teaching positions and four classroom aides in 2007-08 because of projected enrollment in the special education program.

Categorical programs and other funds are not being charged the full allowable indirect cost rate; and federal, mega-item and AB 825 block grant flexibility transfer options are not being utilized. The district should consider charging the full indirect cost rate to recapture allowable costs according to program guidelines. In addition, the district should investigate the feasibility of utilizing the flexibility transfer options in future budget cycles to determine whether this would provide any additional funding flexibility.

The district's recovery plan included the elimination of the Purchasing Department. The district should review the long-term effects of each of the fiscal recovery plan's components. For example, with the elimination of all the staff in the Purchasing Department, goods are now being purchased at the site level instead of in bulk at the district level. This process should be reviewed to determine if it is more costly. The district should also ensure that an employee with expertise in bidding oversees that area, and that someone is responsible for the inventory and asset tagging system.

The MYFP developed for this report reflects that the district *will not* be able to maintain its required reserve of 3% in the current and two subsequent fiscal years without a detailed plan to increase revenue and/or reduce expenditures and cease deficit spending.

The board, administration and community will need to continue identifying potential areas of reduction to eliminate deficit spending and sustain fiscal solvency. Otherwise, the district may need outside financial assistance and may face the loss of local governance and decision-making authority.

Multiyear Forecast Assumptions

California school districts and county offices use many different methods and software products to prepare multiyear financial projections. The FCMAT projections for the general fund were prepared using FCMAT's Budget Explorer multiyear projection software, a Web-based forecasting tool that is available at no cost to all California school districts.

When developing and implementing the multiyear financial projection (MYFP), the district's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The district is confronted by substantial fiscal challenges that require difficult decisions to be made and implemented. The MYFP helps identify specific planning milestones that will aid the district in making these decisions.

There are inherent limitations with any forecast of financial data. These limitations include issues such as unanticipated changes in local property tax, enrollment trends and changing economic conditions at the state, federal and local levels. *Therefore, the budget forecasting model should be evaluated as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. The projection should be updated at least at each interim financial reporting period and before settling negotiations to maintain the most accurate data.*

To evaluate the multiyear projection, much attention is focused on the bottom line, which demonstrates the district's undesignated, unappropriated fund balance. For example, if the bottom line demonstrates a positive unappropriated fund balance, this amount may be used by the board and/or Superintendent to improve educational programs, increase employee compensation or spend in other categories. However, if the unappropriated fund balance is negative, the deficit balance is the amount by which the budget must be reduced to sustain the recommended reserve levels under AB 1200 guidelines. The projection must be viewed comprehensively, and the district must determine what compounding effects using any or all of the unappropriated fund balance will have on the projection in the current and future years.

FCMAT reviewed the district records, interviewed staff members and examined financial reports to gather the information needed for the multiyear financial projection. The initial review included a summary assessment of the district's 2005-06 unaudited actuals, 2006-07 adopted budget and the 2006-07 second interim budget report. The review also included a fiscal analysis of the projected revenues, expenditures, transfers and components of the ending fund balance for the general fund. FCMAT's multiyear analysis utilizes the district's 2006-07 second interim budget report as the baseline for the MYFP. FCMAT reviewed the district's budget assumptions to validate the 2006-07 adopted budget report and multiyear financial projections for the two subsequent years.

FCMAT budget assumptions depict conservative economic factors and estimates as addressed in the 2006-07 Governor's budget proposal and outlined by School Services of California in its January 2007 Financial Dartboard. FCMAT's MYFP *does not include any increases for salary or increases in the district's contribution toward health and welfare benefits in the current or projection years because those costs are considered during local collective bargaining.* Included in the projection years is the average cost of step and column movement for all contracted salaries and the associated cost of employer paid statutory benefits.

GENERAL FUND

2006-07 Unrestricted Projected Ending Balances

There are differences between the projected 2006-07 ending balance determined by the district in the second interim report and the projected ending balance determined by FCMAT, as shown in the following table:

General Fund/County School Service Fund
Unrestricted Resources Only
Revenues, Expenditures, and Changes in the Fund Balance

Unrestricted General Fund	Object Code	District 2nd Interim	FCMAT Base Year	Difference
Revenues				
Revenue Limit Sources	8010 - 8099	71,047,476.00	71,047,476.00	-
Federal Revenues	8100 - 8299	-	-	-
Other State Revenues	8300 - 8599	2,456,550.00	2,456,550.00	-
Other Local Revenues	8600 - 8799	4,054,862.00	4,054,862.00	-
Total Revenues		77,558,888.00	77,558,888.00	-
Expenditures				
Certificated Salaries	1000 - 1999	34,453,924.00	34,453,924.00	-
Classified Salaries	2000 - 2999	9,998,999.52	9,998,999.52	-
Employee Benefits	3000 - 3999	14,008,311.00	14,008,311.00	-
Books and Supplies	4000 - 4999	1,745,168.37	1,745,168.37	-
Services and Other Operating Expenditures	5000 - 5999	6,766,318.00	6,766,318.00	-
Capital Outlay	6000 - 6900	25,425.00	25,425.00	-
Other Outgo	7000 - 7299	230,000.00	400,000.00	170,000.00
Direct Support/Indirect Cost	7300 - 7399	(425,538.00)	(425,538.00)	-
Debt Service	7430 - 7439			-
Total Expenditures		66,802,607.89	66,972,607.89	170,000.00
Excess (Deficiency) of Revenues Over Expenditures		10,756,280.11	10,586,280.11	(170,000.00)
Other Financing Sources\Uses				
Interfund Transfers In	8910 - 8929		-	-
Interfund Transfers Out	7600 - 7629	846,000.00	2,979,945.00	2,133,945.00
All Other Financing Sources	8930 - 8979		-	-
All Other Financing Uses	7630 - 7699		-	-
Contributions	8980 - 8999	(10,421,510.00)	(10,128,236.00)	293,274.00
Total Other Financing Sources\Uses		(11,267,510.00)	(13,108,181.00)	(1,840,671.00)
Net Increase (Decrease) in Fund Balance		(511,229.89)	(2,521,900.89)	(2,010,671.00)
Fund Balance				
Beginning Fund Balance (as of July 1 - Unaudited)	9791	2,569,756.41	2,569,756.41	-
Audit Adjustments	9793	-	-	-
Other Restatements	9795	-	-	-
Adjusted Beginning Fund Balance		2,569,756.41	2,569,756.41	
Ending Fund Balance		2,058,526.52	47,855.52	(2,010,671.00)

The following items account for an unrestricted difference of ($2,010,671) between the district's and FCMAT's numbers:

- An increase of $170,000 in other outgo for the additional cost for the county community day school (Notification of this increase was received by the district following completion of the second interim report).
- A repayment to the building fund for a $1 million construction settlement recorded in the general fund and $500,000 that was transferred to the general fund for indirect costs as reflected in the 2005-06 independent audit report.
- A repayment to the capital facilities fund of $633,945 that was transferred to the general fund for operating costs and the deferred maintenance match as reflected in the 2005-06 independent audit report.
- Reduced encroachment of $293,274 to the special education resources due to revenue projections received from the county SELPA and projected decreases in budgeted salary costs.

The district, with concurrence from the county office, may wish to consider a multiyear repayment plan for the $1.5 million transfer to the building fund and the $633,945 transfer to the capital facilities fund instead of repaying the entire amount in the current fiscal year.

The MYFP identifies the district's ongoing decline in fund balance and reserve levels if no additional actions are approved to contain spending. FCMAT recognizes that the district is left with no choice but to continue to explore methods to provide services in a more efficient and effective method to reduce deficit spending and improve its financial situation. However, FCMAT does not include potential cuts in the MYFP until the cuts have been approved by the Governing Board, and the savings have been realized.

The district's second interim report contains some contingency funding for potential liabilities including a $1 million contingency for tax settlements and rebates, which are yet to be determined at this time. A contingency is also included for an Unfair Labor Practice that was filed by the certificated bargaining unit with the Public Employee Relations Board (PERB) regarding the district's contribution to health and welfare benefits. If these liabilities, or other unknown liabilities, do not materialize, the contingency funds may be used to increase the ending balance.

General Fund/County School Service Fund
Unrestricted Resources Only
Revenues, Expenditures, and Changes in Fund Balance

Name	Object Code	Base Year 2006 - 07	Year 1 2007 - 08	Year 2 2008 - 09
Revenues				
Revenue Limit Sources	8010 - 8099	$71,047,476.00	$74,358,781.33	$76,979,032.86
Federal Revenues	8100 - 8299	$0.00	$0.00	$0.00
Other State Revenues	8300 - 8599	$2,456,550.00	$1,349,596.93	$1,343,175.94
Other Local Revenues	8600 - 8799	$4,054,862.00	$4,054,862.00	$4,054,862.00
Total Revenues		$77,558,888.00	$79,763,240.26	$82,377,070.80
Expenditures				
Certificated Salaries	1000 - 1999	$34,453,924.00	$34,857,072.98	$35,265,261.31
Classified Salaries	2000 - 2999	$9,998,999.52	$10,101,343.45	$10,165,131.32
Employee Benefits	3000 - 3999	$14,008,311.00	$14,082,072.69	$13,737,078.79
Books and Supplies	4000 - 4999	$1,745,168.37	$1,777,650.85	$1,808,846.49
Services and Other Operating Expenditures	5000 - 5999	$6,766,318.00	$7,120,650.03	$7,379,185.48
Capital Outlay	6000 - 6900	$25,425.00	$25,425.00	$25,425.00
Other Outgo	7000 - 7299	$400,000.00	$240,000.00	$240,000.00
Direct Support/Indirect Cost	7300 - 7399	($425,538.00)	($456,927.04)	($490,987.00)
Debt Service	7430 - 7439	$0.00	$0.00	$0.00
Total Expenditures		$66,972,607.89	$67,747,287.96	$68,129,941.39
Excess (Deficiency) of Revenues Over Expenditures		$10,586,280.11	$12,015,952.30	$14,247,129.41
Other Financing Sources\Uses				
Interfund Transfers In	8910 - 8929	$0.00	$0.00	$0.00
Interfund Transfers Out	7600 - 7629	$2,979,945.00	$64,000.00	$87,000.00
All Other Financing Sources	8930 - 8979	$0.00	$0.00	$0.00
All Other Financing Uses	7630 - 7699	$0.00	$0.00	$0.00
Contributions	8980 - 8999	($10,128,236.00)	($10,972,789.00)	($11,164,965.79)
Total Other Financing Sources\Uses		($13,108,181.00)	($11,036,789.00)	($11,251,965.79)
Net Increase (Decrease) in Fund Balance		($2,521,900.89)	$979,163.30	$2,995,163.62
Fund Balance				
Beginning Fund Balance (as of July 1 – Unaudited)	9791	$2,569,756.41	$47,855.52	$1,027,018.82
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance		$2,569,756.41	$47,855.52	$1,027,018.82
Ending Fund Balance		$47,855.52	$1,027,018.82	$4,022,182.44
Components of Ending Fund Balance				
Fund Balance, Reserved	9700 - 9709	$0.00	$0.00	$0.00
Revolving Cash	9711	$15,000.00	$15,000.00	$15,000.00
Stores	9712	$40,000.00	$40,000.00	$40,000.00
Prepaid Expenditures	9713	$0.00	$0.00	$0.00
Other Reserves	9719	$0.00	$0.00	$0.00
General Reserve	9730 - 9739	$0.00	$0.00	$0.00
Legally Restricted Balance	9740 - 9759	$0.00	$0.00	$0.00
Economic Uncertainties Percentage		3.00%	3.00%	3.00%
Designated for Economic Uncertainties	9770 - 9774	$2,844,390.60	$2,737,876.90	$2,760,326.06
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	$0.00	$0.00	$0.00
Other Designated	9780	$0.00	$475,000.00	$475,000.00
Undesignated/Unappropriated	9790	$0.00	$0.00	$731,856.38
Negative Shortfall	9790	($2,851,535.08)	($2,240,858.08)	$0.00

FCMAT has focused attention on the unrestricted portion of the district's general fund budget, including the impact of general fund contributions to special education, transportation and the 3% required ongoing and major maintenance contribution. FCMAT's projection expended the district's restricted ending fund balance where appropriate in the future years and reduced supplies, services and equipment if necessary to remain within the projected revenue resources.

Enrollment, Average Daily Attendance and Staffing

The FCMAT study team reviewed the district's enrollment and average daily attendance (ADA) trends for 2002-03 through 2006-07. The review compared the October CBEDS student enrollment count to the April P-2 ADA data. The revenues earned by the district through the revenue limit calculations are less than those generated from local property taxes. This makes the district a basic-aid-funded district, allowing it to keep the tax overage and making it eligible for limited funding from within the revenue limit calculation for ancillary hourly programs.

FCMAT's analysis found that the district's certificated staffing may be higher than required by the staffing formula in the collective bargaining agreement and current student enrollment. A review of staffing ratios is critical to manage the resources of the district with student needs and contract guidelines and ensure they are maintained in agreement with approved district goals and objectives.

The following chart illustrates the historical trends of CBEDS, Period 2 Average Daily Attendance (P2 ADA) and staffing since fiscal year 2002-03 and includes FCMAT's projected CBEDS and ADA calculations.

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08*	2008/09*
CBEDS	8,287	8,391	8,533	8,673	8,547	8,497	8,447
P2 - ADA	7,802.17	8,018.82	7,970.01	8,126.93	8,052.47	7,994.83	7,944.40
ADA/CBEDS %	94.15%	95.56%	93.40%	93.70%	94.21%	94.09%	94.05%
P2-Staffing Level	404.80	406.70	417.00	419.60	410.40		
Staffing / CBEDS	20.47	20.63	20.46	20.67	20.83		

**Estimated*

Source for P2 Staffing: District (reflects teaching staff)

Source for 2006/07 CBEDS: District

Revenues

<u>Revenue Limit Sources</u> - FCMAT calculated the district's revenue limit for 2006-07 using the state budget information from the 2006-07 California School Finance and Management Conference and factors from the January 2007 School Services of California (SSC) Dartboard. These factors include the estimated statutory COLA of 4.04% for 2007-08 and 2.7% for 2008-09 and continued elimination of the deficit. The district is currently being funded as a basic-aid district using the local property tax as a base and funded through the revenue limit calculation for ancillary hourly programs.

Revenues for local property taxes were adjusted in the projection years by an increase of 3.5% in each year, and the statutory state COLA was used for hourly programs.

Federal Revenues - The district is not budgeting for unrestricted federal revenues in the current year and FCMAT continued this trend in the projection years. Restricted federal revenues were adjusted for carryover and not projected to grow in the future years.

State Revenues – FCMAT did not budget for mandated cost reimbursement claim funding in the future years because these revenues have not been included in the state's proposed budget in the projection years. The district has reserved $700,000 for mandated cost claims still subject to state audit and transferred that amount to fund 40, special reserve for capital outlay. Consideration should be given to moving those dollars to fund 17, special reserve for other than capital outlay, so that the $700,000 can count toward the district's 3% reserve for economic uncertainties, and they are reflected in the appropriate fund. The School Services of California Dartboard was used for lottery rates in the current and projected fiscal years.

The restricted resource 7090, economic impact aid, was reduced by $42,689 in the current year as reported by the California Department of Education and special education revenues were adjusted to reflect the current P2 and projected SELPA funding. All 2006-07 one-time restricted revenues were eliminated from the projected years, and all other ongoing state revenues were increased by the anticipated COLA.

Local Revenues – No changes were made to this category of revenues.

Expenditures

Certificated Salaries - The FCMAT multiyear projection includes the impact of a 1.25% ongoing cost of step and column movement for contracted salaries in the projection years and *no other adjustments* for salary enhancements since those are determined through local negotiations. FCMAT's MYFP maintains the current level of certificated staffing and increases special education staffing by four FTE in the projections years to support anticipated growth in special education enrollment.

A reduction of $190,000 was made in special education expenditures because of a projected over budget in certificated salaries.

Classified Salaries – FCMAT included the cost of step movement at 1.15% and *no other adjustments* were included for salary enhancements as those are determined by local negotiations. Four special education classroom aides were added in the projection years to support anticipated growth in special education enrollment.

Employee Benefits - FCMAT increased statutory benefits in proportion to certificated and classified salary changes and made *no increase* to the current level of employer paid health and welfare contributions in the projection years. The district is involved in an Unfair

Labor Practice charge filed by the certificated bargaining unit with the Public Employee Relations Board (PERB) regarding the district's contribution to health and welfare benefits. A negative ruling will have a fiscal effect on the current and projection years.

Books and Supplies - FCMAT adjusted the budget for materials and supplies using the consumer price index (CPI) inflation factor from the SSC Dartboard.

Services and other Operating Expenditures - Outside contracts were increased by the projected CPI. Utilities were increased by 5% since air-conditioning units are being installed at three sites during the summer of 2007.

Capital Outlay - The equipment budget was increased by CPI.

Other Outgo – The budget was increased in the current year by $170,000 to reflect the actual invoice from the San Mateo County Office of Education for the Community Day School Program. This increase was carried forward into the projection years.

Direct Support/Indirect Costs – Additional indirect cost was recaptured by charging resource 7393, Professional Development Block Grant, $11,134 in 2007-08 and $16,295 in 2008-09, and no other changes were made to this category in the projection years.

Other Financing Sources/Uses

Transfers Out – FCMAT eliminated the one-time transfer of $700,000 to the special reserve fund, the $1 million one-time repayment to the building fund for the construction settlement, the $500,000 repayment to the building fund, the $633,945 repayment to the capital facilities fund, and the transfer of $100,000 to the building fund in the projection years.

The transfer to the cafeteria fund was increased to reflect the projected contribution from the general fund.

Contributions to Restricted Programs - The district is projected to contribute to the following restricted resources in the current and projection years**:** Special education, home-to-school and special education transportation, Peer Assistance and Review Program, Teacher Credentialing Block Grant and the required 3% contribution to the ongoing and major maintenance program.

Restricted Programs - Where possible, restricted programs were reduced in the following categories: books and supplies, services/other operating expenses and capital outlay as necessary to maintain expenses at the expected revenues levels.

Net Increase/Decrease in Fund Balance - The difference in the 2006-07 budgeted unrestricted revenues and expenditures, taking into account the contributions to restricted programs, is a negative $2,521,901, leaving a projected ending fund balance of a positive $47,856. The district's required 3% reserve for economic uncertainties is $2,844,391, leaving a projected shortfall of $2,851,535 in the current year.

Reserve Level - The FCMAT projection indicates that the district *will not* be able to meet the 3% minimum required reserve level in fiscal years 2006-07 and 2007-08. The district should be aware that a balance in fund 17 may be used to help meet the 3% required reserve level. FCMAT recommends that the district deposit the $700,000 set aside for mandated cost claims still subject to audit in fund 17 instead of fund 40 to help meet the required reserve level. The following numbers do not include the $700,000 since the district has not yet deposited them in fund 17.

Projected Reserve Level

Unrestricted General Fund	2006/07	2007/08	2008/09
Projected Ending Balance	47,856	1,027,019	4,022,182
Projected Reserve Level	0.05%	1.13%	4.37%

These projected reserve levels could be increased to .79% in 2006-07; 1.89% in 2007-08; and 5.13% in 2008-09 if the reserve for mandated cost claims is deposited in fund 17.

The district implemented a mid-year recovery plan in 2006-07 to reduce deficit spending and meet the 3% reserve requirement. If these reductions continue into the 2007-08 fiscal year, there may be some additional savings realized due to a full year of implementation. FCMAT did not receive the information necessary to include a full year's savings in its MYFP for these items.

RECOMMENDATIONS

The district should:

1. Adopt a budget in 2007-08 that eliminates deficit spending, meets the 3% reserve requirement and begins to rebuild reserves necessary for a basic-aid district.

2. Review staffing ratios to ensure that ratios are within employee contract guidelines, meet students' needs and agree with approved district goals and objectives, including the goal of maintaining fiscal solvency.

3. Review overtime costs and employee effectiveness, along with associated reimbursement of salary costs, as a total component when evaluating the cost of providing services for use of facilities, field trips and outside agency contracts. Overtime should be kept to a minimum, and prior approval should be required for all overtime.

4. Review and update the facility use fee schedule to ensure that all appropriate fees are included for reimbursement.

5. Consider charging the full indirect cost rate allowed to all programs to maximize unrestricted resources and reflect the true cost of each program.

6. Investigate the feasibility of utilizing the federal, AB 825 and mega-item flexibility transfer options in future budget cycles to determine whether they would provide any additional funding flexibility.

7. Review the long-term effects of the recovery plan to determine the feasibility and cost effectiveness of each component.

8. Consider moving the current year transfer for the mandated cost reserve to fund 17, special reserve for other than capital outlay, to help meet the district's required 3% reserve for economic uncertainties while continuing to reserve the mandate cost funds still subject to state audit.

OTHER FUNDS

FCMAT was requested to provide multiyear projections for all district funds. Although this is not normally a standard part of FCMAT reports or SACS financial reporting, it is important that districts complete these projections at least once a year since encroachment from other funds could have an adverse affect on the general fund.

The prior year figures used in the MYFP were taken from the district's annual independent audit reports. Subsequent year revenues and expenditures were projected based on prior year to year averages. A summary for each fund follows, with further detail provided in the appendix section of this report.

Fund 11 – Adult Education Fund

This fund is used to account for federal, state and local resources provided to operate adult education programs.

The fund is projected to have a positive fund balance through 2008-09. Deficit spending is budgeted for the 2006-07 year, which appears to be due to a one-time expenditure for capital outlay. The one-time expenditure was removed in the MYFP for future years.

Adult Education	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	5,685,951	5,477,157	6,556,583	6,234,630	6,464,581	6,620,975
Expense/Transfers/Uses	5,171,025	5,365,999	5,340,211	6,523,936	6,155,637	6,519,500
EXCESS (DEFICIENCY)	**514,926**	**111,158**	**1,216,372**	**(289,306)**	**308,943**	**101,475**
Beginning Balance	707,592	1,222,518	1,333,676	2,550,048	2,260,742	2,569,685
ENDING BALANCE	**1,222,518**	**1,333,676**	**2,550,048**	**2,260,742**	**2,569,685**	**2,671,161**

Fund 12 – Child Development Fund

This fund is used to account for federal, state and local resources provided to operate child development programs.

The fund is projected to have a positive ending fund balance through 2008-09. However, the fund balance is decreasing as expenditures exceeded revenues in 2005-06 and are projected to do so in 2006-07 and future years. The district should complete another multiyear projection when the 2006-07 unaudited actuals are completed as well as an in-depth analysis of the program to determine how it can be self-sustaining. The district does not charge the fund for indirect costs. The district should consider charging the fund the amount legally allowed for indirect costs to reflect the true cost of the program.

Child Development	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	112,260	95,329	79,902	91,500	79,980	79,980
Expense/Transfers/Uses	78,759	88,451	91,756	124,473	97,520	105,612
EXCESS (DEFICIENCY)	**33,501**	**6,878**	**(11,854)**	**(32,973)**	**(17,540)**	**(25,632)**
Beginning Balance	53,954	87,455	94,333	82,479	49,506	31,966
ENDING BALANCE	**87,455**	**94,333**	**82,479**	**49,506**	**31,966**	**6,333**

Fund 13 – Cafeteria Special Revenue Fund

This fund is used to account for federal, state and local resources provided to operate the food service program.

The fund is deficit spending in the prior, current and projected fiscal years. The fund has required a contribution from the general fund in past years as well as the current and projected years. The district should perform an in-depth analysis of this program to evaluate how it can be self-sustaining. The district has not charged the full amount legally allowed for indirect costs to this fund in prior years. The district should consider charging the full amount for indirect costs to reflect the true cost of the program.

Cafeteria Special Revenue	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	1,809,208	1,853,099	1,882,396	1,915,590	2,006,199	2,100,319
Expense/Transfers/Uses	1,808,482	1,845,884	1,885,953	1,924,253	2,007,780	2,099,582
EXCESS (DEFICIENCY)	**726**	**7,215**	**(3,557)**	**(8,663)**	**(1,581)**	**737**
Beginning Balance	5,868	6,594	13,809	10,252	1,589	8
ENDING BALANCE	**6,594**	**13,809**	**10,252**	**1,589**	**8**	**745**

Fund 14 – Deferred Maintenance Fund

This fund is used to account for state apportionments and the district's contributions for deferred maintenance projects.

The fund is projected to have a positive fund balance through 2008-09.

Deferred Maintenance	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	496,407	987,127	569,765	749,000	877,828	894,876
Expense/Transfers/Uses	97,835	578,712	1,060,086	529,000	543,283	556,322
EXCESS (DEFICIENCY)	**398,572**	**408,415**	**(490,321)**	**220,000**	**334,545**	**338,554**
Beginning Balance	324,780	723,352	1,131,767	641,446	861,446	1,195,991
ENDING BALANCE	**723,352**	**1,131,767**	**641,446**	**861,446**	**1,195,991**	**1,534,545**

Fund 17 – Special Reserve Fund for Other than Capital Outlay Projects

This fund is used to provide for the accumulation of funds for general operating purposes other than capital outlay expenditures.

The MYFP reflects a "transfer in" from the general fund of $700,000 in the 2006-07 year, which is composed of one-time funds for prior mandated cost claims. The district has deposited these funds in fund 40, special reserve for capital outlay. However, if these funds are deposited in fund 17, they can be used to supplement the district's reserve for economic uncertainties while remaining in a reserve for mandated cost claims, which are still subject to state audit. This fund is projected to have a positive fund balance through 2008-09.

Special Reserve	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	32,196	33,101	3,277	700,070	20,000	20,000
Expense/Transfers/Uses	0	0	139,000	0	0	0
EXCESS (DEFICIENCY)	**32,196**	**33,101**	**(135,723)**	**700,070**	**20,000**	**20,000**
Beginning Balance	72,226	104,422	137,523	1,800	701,870	721,870
ENDING BALANCE	**104,422**	**137,523**	**1,800**	**701,870**	**721,870**	**741,870**

Fund 21 – Building Fund

This fund is used to account for the proceeds from bond sales for bonds approved through local elections.

The district currently records RDA revenue in this fund. RDA revenue is better recorded in fund 40 (special reserve for capital outlay projects) with its own resource. The MYFP shows RDA revenues in fund 40 for the current and projection years.

Proceeds from the 2007 COP will be kept with an outside Fiscal Trustee and will not show on the district's books as revenue. Expenditures will be reported to the trustee for reimbursement. The COP funds must be segregated from the general obligation bond proceeds for arbitrage purposes. Therefore, use of a separate resource for the COP reimbursement revenue would be appropriate. It was assumed in the MYFP that the district would use the $23 million from the COP in the 2006-07 year to cover expenses as listed in the official statement dated March 15, 2007.

In 2006-07, there is a one-time transfer of $1 million from the general fund, which is the result of a legal settlement regarding construction. These funds were deposited in the general fund in 2005-06 and should have been deposited in the building fund. During the review of this fund, it was noted that the 2005-06 independent audit report referred to an indirect charge of $500,000, which was transferred to the general fund. Indirect charges are not allowed against the building fund. If transfers for indirect charges were assessed to the building fund in prior years, those funds will also need to be repaid.

The district is recording lease/rental revenue in this fund. Long-term lease/rental revenues should be recorded in fund 40, special reserve for capital outlay projects, and short-term lease/rental revenues should be recorded in fund 01, general fund. The expenses associated for lease/rental should be assessed to the same fund where the revenue is deposited.

Since copies of project budgets for future years were not available, no budget projections were made for revenue or expense in the 2007-08 and 2008-09 fiscal years for this fund.

Building	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/ Sources	31,590,996	23,414,988	17,832,073	38,743,280	0	0
Expense/Transfers/Uses	58,102,863	51,618,024	41,681,004	23,625,607	0	0
EXCESS (DEFICIENCY)	**(26,511,867)**	**(28,203,036)**	**(23,848,931)**	**15,117,673**	**0**	**0**
Beginning Balance	82,591,648	56,079,781	27,876,745	4,027,814	19,145,487	19,145,487
ENDING BALANCE	**56,079,781**	**27,876,745**	**4,027,814**	**19,145,487**	**19,145,487**	**19,145,487**

Fund 25 – Capital Facilities Fund

This fund is used to account for developer fees.

Because developer fee collections have fluctuated over the past three years, it is difficult to determine the amount that will be collected in the 2007-08 and 2008-09 years. The multiyear projection is conservative regarding this revenue collection. The district plans to use these funds to help pay for the debt service on the 2007 COP. The multiyear projection shows a maximum of $500,000 in developer fees toward that payment in the 2007-08 and 2008-09 years.

The district collects some developer fees in-house. It is recommended that the district charge the allowable 3% administrative fee on these collections and transfer it to the general fund.

During the review of this fund, it was noted that the 2005-06 independent audit report referred to three transfers totaling $633,945 from the capital facilities fund to the general fund. The audit states that these transfers were for operating costs and the district's deferred maintenance match. It does not appear that these transfers were for projects that can legally be paid with capital facilities funds.

Capital Facilities	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	1,173,575	682,356	16,036,961	1,033,945	500,000	500,000
Expense/Transfers/Uses	2,035,085	545,614	3,823,812	13,784,828	1,567,295	535,274
EXCESS (DEFICIENCY)	**(861,510)**	**136,742**	**12,213,149**	**(12,750,883)**	**(1,067,295)**	**(35,274)**
Beginning Balance	2,430,488	1,568,978	1,705,720	13,918,869	1,167,986	100,691
ENDING BALANCE	**1,568,978**	**1,705,720**	**13,918,869**	**1,167,986**	**100,691**	**65,417**

Fund 35 – County School Facilities Fund

This fund is used to account for apportionments authorized by the State Allocation Board for new school facility construction and modernization projects.

The fund ended the 2005-06 year with only $7,044 in ending fund balance. If there are no anticipated revenues from the state, this fund should be closed out at the end of 2006-07.

County School Facilities	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	9,222,851	333,955	138,080	0	0	0
Expense/Transfers/Uses	4,373,192	15,427,916	907,446	0	0	0
EXCESS (DEFICIENCY)	**4,849,659**	**(15,093,961)**	**(769,366)**	**0**	**0**	**0**
Beginning Balance	11,020,712	15,870,371	776,410	7,044	7,044	7,044
ENDING BALANCE	**15,870,371**	**776,410**	**7,044**	**7,044**	**7,044**	**7,044**

Fund 40 – Special Reserve Fund for Capital Outlay Projects

This fund is used to account for the accumulation of funds for capital outlay purposes and for proceeds from the sale of a site or long-term lease of property. The expenditures from this fund are for capital outlay and construction or renovation of schools.

FCMAT recorded the collection of RDA monies in this fund beginning in the 2006-07 year. FCMAT recorded the annual COP payment under debt service except for the annual amount that is reflected in the capital facilities fund. Although the MYFP indicates that the COP payments can be made through the 2008-09 fiscal year using RDA revenue and projected developer fee collections, the district will need to monitor future years closely. As the COP payments increase, the district should monitor the increases in RDA and developer fee revenues. If these two funding sources do not increase substantially over current projections, additional funds may be required from the general fund to make the annual COP payment. The current projection shows that a general fund contribution will be needed beginning in 2009-10.

The district's proposed plan for funding the general fund portion of the COP payment includes a projected savings of $250,000 in special education costs that could be realized by reinstating district services for three classes currently served by the SELPA. It is highly recommended that a thorough cost analysis be completed before implementation of this plan to ensure that a savings will be realized. The proposed plan for savings also includes a current district employee being paid from the deferred maintenance fund instead of the restricted general fund. Since this employee is currently paid from a restricted resource, ongoing and major maintenance, this transfer would provide no cost savings to the unrestricted general fund.

Special Reserve - Capital	**2003-04 ACTUALS**	**2004-05 ACTUALS**	**2005-06 ACTUALS**	**2006-07 SECOND INTERIM**	**2007-08 Projected Budget**	**2008-09 Projected Budget**
Revenue/Transfers/Sources	1,480,242	43,260	42,033	1,118,000	1,721,000	1,824,000
Expense/Transfers/Uses	0	0	1,500,000	1,058,700	47,698	2,788,708
EXCESS (DEFICIENCY)	**1,480,242**	**43,260**	**(1,457,967)**	**59,300**	**1,673,302**	**(964,708)**
Beginning Balance	13,732	1,493,974	1,537,234	79,267	138,567	1,811,869
ENDING BALANCE	**1,493,974**	**1,537,234**	**79,267**	**138,567**	**1,811,869**	**847,161**

Fund 51 – Bond Interest and Redemption Fund

This fund is held by the county treasurer and is for the repayment of bonds, voted on by the public, through tax collections. No multiyear projection was completed for this fund.

Fund 57 – Foundation Permanent Fund

This fund is used to account for funds received from gifts or donations that include a formal trust agreement with the donor. Per the California School Accounting Manual, Procedure 305, "This fund is used to account for resources received from gifts or bequests pursuant to Education Code Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the LEAs own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund."

The district's budget report dated March, 2007, reflects that all funds (principal and earnings) are budgeted for expenditure in the 2006-07 fiscal year rather than the earnings only. The district should investigate each gift or donation to determine whether it belongs in this fund or the general fund.

The fund is projected to have a positive ending fund balance through 2008-09.

Foundation Permanent	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	17,406	17,814	22,646	20,000	19,467	19,467
Expense/Transfers/Uses	6,580	5,678	4,671	651,605	5,000	5,120
EXCESS (DEFICIENCY)	**10,826**	**12,136**	**17,975**	**(631,605)**	**14,467**	**14,347**
Beginning Balance	610,668	621,494	633,630	651,605	20,000	34,467
ENDING BALANCE	**621,494**	**633,630**	**651,605**	**20,000**	**34,467**	**48,813**

Fund 71 – Retiree Benefit Fund

This fund is used to account for funds held in trust from salary reduction agreements and other irrevocable contributions for retiree benefit payments for which a formal trust exits.

The ending fund balance in 2005-06 was $502. There is no anticipated revenue for this fund and, therefore, no multiyear projection was completed.

Fund 95 – Student Body Fund

This fund is an agency fund and is used for custodial purposes to record the assets and liabilities for the associated student body of each high school. The student body maintains its own general fund, which accounts for all transactions of the organization.

The projected ending fund balance is positive through 2008-09.

Student Body	2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
Revenue/Transfers/Sources	1,227,831	1,448,447	1,388,378	1,388,378	1,363,259	1,363,259
Expense/Transfers/Uses	1,329,298	1,342,052	1,392,867	1,392,867	1,430,474	1,464,806
EXCESS (DEFICIENCY)	**(101,467)**	**106,395**	**(4,489)**	**(4,489)**	**(67,216)**	**(101,547)**
Beginning Balance	938,025	836,558	942,953	938,464	933,975	866,759
ENDING BALANCE	**836,558**	**942,953**	**938,464**	**933,975**	**866,759**	**765,212**

RECOMMENDATIONS

The district should:

1. Consider charging each fund the maximum amount legally allowed for indirect costs to maximize unrestricted resources and reflect the true cost of each program.

2. Complete a multiyear financial projection for the child development fund following the close of the 2006-07 books and complete an in-depth analysis of the program to determine how it can be self-sustaining.

3. Complete an in-depth analysis of revenues and expenditures for the cafeteria fund to evaluate how it can become self-sustaining.

4. Consider moving the $700,000 current year transfer for the mandated cost reserve to fund 17, special reserve for other than capital outlay, instead of fund 40 so that the funds can serve to help meet the district's required 3% reserve for economic uncertainties while continuing to reserve the mandated cost funds still subject to state audit.

5. Record redevelopment agency funds in fund 40, special reserve for capital outlay, instead of fund 21, building fund.

6. Transfer $1 million that was the result of a legal settlement for construction and $500,000 for indirect cost as reflected in the 2005-06 audit report from the general fund to the building fund. With concurrence from the county office, the district may wish to consider a multiyear repayment plan.

7. Review building fund transfers from prior years. If transfers for indirect charges were assessed to the building fund in prior years, those funds will also need to be repaid.

8. Review the lease/rental revenue that is currently recorded in fund 21, building fund, and move those revenues to the appropriate funds. Long-term lease/rental revenue should be recorded in fund 40, special reserve for capital outlay, and short-term lease/rental revenue should be recorded in fund 01, general fund.

9. Consider charging a 3% administration fee on developer fees that are collected by the district and transfer it to the general fund.

10. Transfer $633,945 from the general fund back to the capital facilities fund, which was reflected in the 2005-06 audit report as transfers for operating costs and the district's deferred maintenance match. With concurrence from the county office, the district may wish to consider a multiyear repayment plan.

11. Monitor the increase in annual COP payments and the increase in annual RDA and developer fee revenues to determine if additional dollars will be needed from the general fund in future years to make the COP payments.

12. Prepare a thorough program and cost analysis of the proposal to reinstate services for three special education classes currently served by the SELPA to ensure that a cost savings will be realized.

13. Investigate each gift or donation to determine whether it should be deposited in fund 57, foundation permanent fund, or the general fund.

Fiscal Health Risk Analysis

FCMAT developed the Fiscal Health Risk Analysis in 2005 as a tool for local educational agencies to evaluate the fiscal impact of past trends in their districts. The analysis includes 18 operational areas. While any one of these areas in isolation might not be considered vital to fiscal solvency, when evaluated as a group, these areas form the core of a district's financial condition and provide a checklist for establishing and maintaining fiscal solvency.

At the request of the county office of education and the district, FCMAT conducted a comprehensive independent assessment of the district's 2006-07 fiscal status in accordance with existing legal and professional standards applicable to California public school districts using FCMAT's Fiscal Health Risk Analysis.

To complete the analysis for the district, the study team requested a comprehensive list of financial reports, enrollment and ADA data as well as other supplemental documents. The team also met with the Superintendent, Chief Business Official and several key staff members at the site and district level.

The focus of the Fiscal Health Risk Analysis is the district's unrestricted general fund. The unrestricted general fund is not tied to a restricted categorical program, but rather represents funding sources that allow the district discretion in how they are used. The analysis includes FCMAT's assessment of the district's current level of risk as well as recommendations offered to assist the district in improving its fiscal solvency score.

Key Survival Questions

1. Deficit Spending** • Is this area acceptable?.. **No

- **Is the district spending within its budget in the current year? No**
  Both the district's second interim report and FCMAT's MYFP reflect deficit spending in the current fiscal year. The district filed qualified first and second interim reports in 2006-07.

- **Has the district controlled deficit spending over multiple years? No**
  As shown in the following chart, the district has been in a deficit spending pattern in three of the prior five years and is also projected to deficit spend in the current year.

Deficit Spending Unrestricted General Fund	
2001-02	$303,436
2002-03	($1,920,227)
2003-04	$188,669
2004-05	($1,672,156)
2005-06	($2,018,893)
2006-07*	($511,230)

Source: Unaudited Actuals
**Source: 2nd Interim*

- **Is the deficit spending addressed by fund balance, ongoing revenues, or expenditure reductions? No**
  The district is aware of the need to make budget reductions or revenue enhancements based on discussions with staff. The December 14, 2006 recovery plan helped to reduce current year expenditures, but did not alleviate deficit spending entirely.

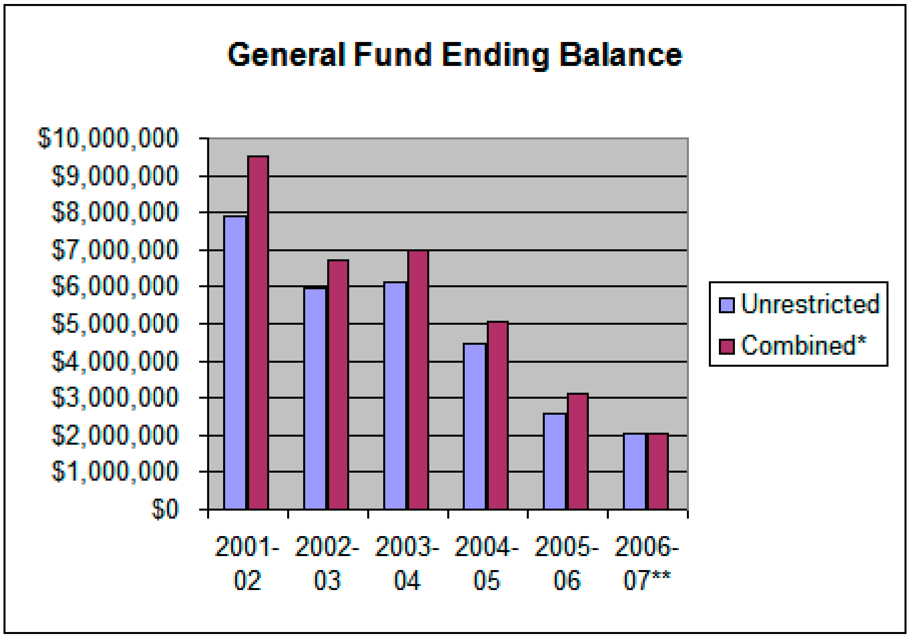
2. Fund Balance *• Is this area acceptable? ....* ***No***

- **Is the district's fund balance consistently increasing? No**
  As shown in the following chart, the district's fund balance has declined significantly since 2001-02. As of 2005-06, the fund balance no longer supports the required 3% minimum reserve for economic uncertainties.

General Fund Ending Balance

	Unrestricted	Combined*
2001-02	$7,886,840	$9,501,998
2002-03	$5,965,347	$6,731,060
2003-04	$6,154,016	$6,969,414
2004-05	$4,481,860	$5,059,259
2005-06	$2,569,756	$3,122,138
2006-07**	$2,058,527	$2,058,527

Source: Unaudited Actuals
**Source: Annual Independent Audit*
***Source: 2nd Interim*



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

3. Reserve for Economic Uncertainty** • Is this area acceptable?* ....No***

- **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? No**
  Based on the district's 2006-07 second interim report and FCMAT's MYFP, the district falls short of meeting the 3% reserve requirement in the current year. FCMAT's MYFP also projects that the district will not meet its 3% reserve requirement in 2007-08 given current revenue and expenditure patterns.

- **Was the district able to maintain its reserve in 2003-04, 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?* ....No***

- **Has the district's enrollment been increasing or stable for multiple years? No**

  Based on CBEDS data, enrollment has reflected increases for the past several years. However, 2006-07 enrollment has declined from the prior year, and the FCMAT projections indicate that enrollment will continue to decline for the next two years. FCMAT utilized a modified cohort survival technique with adjustments for 8^{th} grade students from feeder districts to project enrollment and average daily attendance for the two subsequent years.

  Methodology

  The cohort survival technique is the most frequently used method of preparing school enrollment forecasts. The basic premise is that percentages are calculated from the historical enrollment data to determine a reliable percentage of increase or decrease in enrollment between any two grades. For example, if 100 students enrolled in first grade in 2005-06 and increased to 104 students in second grade in 2006-07, the percentage of survival would have be 104%. Such ratios are calculated between each pair of grades or years in school over several years. The ratios used are key factors in the reliability of the projections, given the validity of the data at the starting point. The strength of the ratios lies in the fact that each ratio encompasses collectively the variables that could possibly account for an increase or decrease in the size of a grade cohort as it moves on to the next grade. Each ratio represents the cumulative effect of factors such as the following:

  1. Migration patterns in/out of schools
  2. Retention in the same grade
  3. Changes in school program
  4. Dropouts, interdistrict transfers, etc.
  5. Birth rates
  6. Residential housing starts
  7. Charter/private school enrollments

  Based on a reasonable set of assumptions for each of these factors, ratios must be indicative of present/future trends and are determined for each pair of grades or years. To project for the future, the ratios thus selected are applied to the present enrollment statistics for a predetermined number of years. If any of these assumptions need to be altered in the future, it is critical that the projection be updated. This provides an opportunity for the district to plan adequately for any changes that might occur over time.

Enrollment								
	CBEDS 2001/02	CBEDS 2002/03	CBEDS 2003/04	CBEDS 2004/05	CBEDS 2005/06	CBEDS 2006/07	Projection 2007/08	Projection 2008/09
9-12 Enrollment	8069	8250	8351	8502	8650	8605	8497	8447
Gains/Losses	-134	181	101	151	148	-45	-108	-50
CBEDS data obtained from the CDE Dataquest Web site								

- **Is the district's enrollment projection updated at least semiannually? No**
  The district updated the projections in February 2007, but it is unknown when the enrollment projections had been updated prior to that time.

- **Are staffing adjustments consistent with the enrollment trends? Yes**

- **Does the district analyze enrollment and average daily attendance (ADA) data? No**
  There is no indication that the district is analyzing this data. The district utilizes a centralized attendance system at the district office, which creates a lag between the time information is provided by the site and entered centrally for student attendance. The CBEDS numbers provided by the district for 2006-07 differ from the total reflected on the Data Quest web site.

- **Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? No**
  There is no indication that this is being performed.

5. Unrestricted or Undesignated Balance *• Is this area acceptable?*...........................***No***

- **Is the district's unrestricted or free balance maintained throughout the year? Yes**
  As in most districts, the district's general fund budget estimated ending balance varies during the year because of items such as the state-adopted budget and negotiation settlements. The original adopted budget for 2005-06 projected an unrestricted general fund balance of $2,656,525; the unaudited actuals reflected an unrestricted ending fund balance of $2,569,756.

- **Does the district consistently have fund balance above the required reserve? No**
  Before the 2005-06 fiscal year, the district had maintained the required reserve.

6. Interfund Borrowing *• Is this area acceptable? ....* ***No***

- **Can the district manage its cash flow without interfund borrowing? No**
  The district's 2006-07 second interim report reflects a negative cash balance in general fund in the months of August, September, October and November. These negative balances were covered by Tax and Revenue Anticipation Notes (TRANs) which is a short-term borrowing mechanism used for cash flow purposes since a school district's receipt of revenue does not always coincide with monthly expenses. The second interim also projected a negative cash balance in March, which could not be covered by the TRANs.

  Because of the change in the financial system software used countywide in 2005-06, accounting for summer deferred payroll is now completed by holding the cash in a payroll trust fund with the San Mateo County Controller instead of setting up the monthly deferrals in a liability account. This change in accounting procedures also has a negative effect on the district's monthly cash balance.

- **Is the district repaying the funds within the statutory period? N/A**

  Cash flow Cautionary Statement
  In 2005-06, the district deposited $1 million from a legal settlement for construction into the general fund instead of the building fund. To date, these funds have not been transferred to the building fund. FCMAT has included the transfer of $1 million back to the building fund in its MYFP for 2006-07.

7. Bargaining Agreements *• Is this area acceptable?...* ***No***

- **Has the district settled bargaining agreements at or under COLA during the past three years? No**
  The following table reflects the increase to the certificated salary schedule and health and welfare benefits in each year, but does not include the percentage for total compensation, inclusive of costs for step and column movement, as this information was not available from the district. An area of concern is the impact of future collective bargaining agreements on the district's ability to maintain fiscal solvency. The FCMAT Fiscal Health and Risk Analysis and the MYFP *do not* include additional compensation for the 2007-08 and 2008-09 fiscal years. While it is critical to maintain competitive salaries and benefits to retain staff, the district must also measure its ability to pay. It should be noted that while this table compares the collective bargaining costs to the COLA, San Mateo Union is a basic-aid district.

	2003/04	2004/05	2005/06
Statutory COLA	1.86%	2.41%	4.23%
Funded COLA	-1.20%	2.41%	4.23%
Salary/Health & Welfare Increase	1.23%	4.39%	3.22%

Source information for statutory/funded COLA: School Services of California (for an average district)
Source information for salary increase: district

- **Did the district conduct a presettlement analysis identifying an ongoing revenue source to support the agreement? Yes**
  However, it does not appear that multiyear financial projections have been completed during negotiations to determine the ongoing impact of proposed increases. The district needs to follow the guidelines of AB 1200 and AB 2756 regarding public disclosures and the detailed analysis required prior to ratification of all collective bargaining agreements.

- **Did the district correctly identify the related costs above the COLA? No**
  The cost of step and column movement was not identified.

- **Did the district address budget reductions necessary to sustain the total compensation increase? No**
  Although the disclosure documents state that no staff reductions were required to implement the agreements, the district was required to implement a recovery plan in the 2006-07 fiscal year.

- **Did the Superintendent and CBO certify the agreement prior to ratification? No**
  The signatures on the disclosures were dated following the Governing Board meeting.

- **Is the governing board's action consistent with the superintendent's/ CBO's certification? Yes**

8. General Fund • *Is this area acceptable?*.. ***Yes***

- **Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average? Yes**
  Based on the second interim report, the district's percentage of salaries and benefits equals approximately 87.51% of the total unrestricted expenditures and is currently less than the statewide average for a district of this type. Per School Services of California data, the statewide averages (2004-05) for unrestricted salaries and benefits as a percentage of the unrestricted expenditure budget are as follows:

Elementary districts	90.30%
High school districts	88.64 %
Unified districts	92.03%

Because of deficit spending, the district will need to monitor this issue closely to maintain fiscal solvency.

- **Is the district making sure that only authorized restricted dollars pay for permanent staff?** This was not confirmed by FCMAT. However, based on finding 2006-6, in the 2005-06 independent audit report, Time Accounting for Federal Programs, the district needs to more carefully monitor staff funded through categorical programs to ensure the required certification forms are completed each year.

9. Encroachment** • Is this area acceptable? ....**No

- **Is the district aware of the "Contributions to Restricted Programs" in the current year? (Identify cost, programs and funds) Yes**
  As required by the Standardized Account Code Structure (SACS), the district must balance each restricted resource (program) using a "contribution" when necessary. In the district's 2006-07 second interim report, projected general fund contributions totaled $10,421,510 based on contributions to the following resources:

Resource/Program	Contribution
6500 - Special Education	$6,490,403.00
7230 - Home to School Transportation	818,449.00
7240 - Special Education Transportation	535,535.00
7271 - CA Peer Assistance & Review	11,921.00
7392 - Teacher Credentialing Block Grant	116,824.00
7937 - Discretionary Block Grant - District	-211,677.00
8150 - Ongoing & Major Maintenance	2,660,055.00
TOTAL	$10,421,510.00

- **Does the district have a reasonable plan to address increased encroachment trends? No**
  The district has begun collecting fees for transportation. The district should conduct a thorough review of the Transportation Department, including the number of students transported, the number of routes offered and the location of bus yard. The district is also reviewing its special education programs to determine whether there is a more economical way to deliver required services.

  The increased encroachment from other funds needs to be addressed by the district.

- **Does the district manage its encroachment from other funds such as adult, cafeteria, child development, etc.? No**
  The district has been required to make contributions to the child development fund in prior years. Although a contribution is not projected in 2006-07, the fund is projected to deficit spend in the current and subsequent years. If this spending pattern is not corrected, a contribution will be required in future years.

  The district has made contributions to the cafeteria fund in prior years and is projecting a contribution to the cafeteria fund in the current year. The fund is also projected to deficit spend in subsequent years, which will necessitate a contribution from the general fund.

  Due to cost overruns for capital facilities projects, the district has issued a COP in 2007 to re-fund the three prior COPS and provide an additional $23 million for facility projects. Since there is currently not enough income projected from redevelopment agencies and developer fees to pay the debt service on the 2007 COP, the general fund will need to begin making contributions toward the payment in 2009-10.

10. Management Information Systems *• Is this area acceptable?* .... ***Yes***

- **Is the district data accurate and timely? No**
  Not all requested information is submitted in a timely manner. Because of the absence of the Director of Fiscal Services and cutbacks in other key areas of the Business Department, the district is having difficulty in this area.

- **Are the county and state reports filed in a timely manner? No**
  Although most of the required budget reports have been filed on time, the district's 2005-06, 2004-05 and 2001-02 unaudited actuals were not approved by the Governing Board by the September 15 deadline.

- **Are key fiscal reports readily available and understandable? Yes**
  The district reports that it has recently formed a budget committee made up of various affected parties to share and discuss budget information. To provide budget information in a more understandable form, FCMAT recommends that the district consider using the User Friendly Budget Software available from School Services of California at no cost to its clients. This software provides a general template that can be modified with specific district information and is presented in a written format with the aid of charts and graphs. The Web sites of other school districts may also provide some good examples of user friendly budget presentations.

- **Is the district on the same financial system as the county? Yes**
  A new software system was installed countywide beginning in 2005-06. It is recommended that the district request additional training from the county office on generating reports and downloading information in Excel format to ensure that reports can be obtained in the most appropriate and usable form.

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

- **Is position control integrated with payroll? No**
  The district uses a position control system; however, it does not appear that the system is being fully integrated with personnel, payroll and budget. One of the most critical elements in budgeting for expenditures is accurately projecting employee salary and benefit costs, which account for more than 87% of the district's 2006-07 unrestricted general fund budget. A reliable position control system that is fully implemented and utilized establishes authorized positions by site or department and ensures that staffing levels conform to district formulas and standards, helping prevent overstaffing. For the district to maintain accurate budget projections, employee demographic data and salary and benefit information should be maintained in a position control system that is integrated with payroll and budget modules and used to update the budget at each reporting period. 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. To maintain proper internal control, this task is normally shared between the Business and Personnel departments.

- **Does the district control unauthorized hiring? No**
  The district utilizes a "Personnel Action Form" that requires information from the Human Resources and Business Departments before being forwarded to the cabinet for final approval or denial. However, it was reported that several teaching positions were hired in 2006-07 without being included in the position control system. The district does not have current staffing formulas. Staffing formulas should be developed and reviewed regularly to ensure that the district is maintaining the appropriate staffing levels for all positions.

12. Budget Monitoring *• Is this area acceptable?* .... ***No***

- **Is there sufficient consideration to the budget, related to long-term bargaining agreements? No**
  It was reported that collective bargaining agreements have been based on tax estimates in the past and not adjusted retroactively when actual tax receipts are verified. The collective bargaining disclosures do not include total compensation costs, such as the cost of step and column movement.

It does not appear that multiyear financial projections have been completed during negotiations to determine the ongoing impact of proposed increases.

- **Are budget revisions completed in a timely manner? Yes**
  The district states budget revisions are completed monthly and as needed.

- **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? N/A**
  The collective bargaining disclosures state that budget revisions were not needed.

- **Has the district's long-term debt decreased from the prior fiscal year? No**
  The district issued COPS in 2006-07 to re-fund three prior COPS and provide an additional $23 million for capital facility projects. The independent audit report for 2005-06 also reports an increase in long-term debt of $25,899,153 from the prior year.

- **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 Governmental Accounting Standards Board Statement No. 45 (GASB 45) requires that an actuarial report be completed for other post employment benefits and that the liability is recognized as an obligation on the district's financial statements. The actuarial report should be completed in compliance with GASB 45.

- **Does the district have a plan for addressing the retiree benefits liabilities? Yes**
  The district offers post employment retiree benefits based on specific language in the respective bargaining agreements and uses the pay-as-you-go method for funding the benefits.

- **Has the district conducted a re-enrollment process to identify eligible retirees? Yes**
  A re-enrollment was conducted in January 2006 due to a change in benefit providers.

14. Leadership/Stability** • Is this area acceptable?* .... ***Yes

- **Does the district have a Superintendent and/or Chief Business Official that has been with the district over four years? Yes**
  The Superintendent has been with the district 39 years and has served as the Superintendent three years. The Chief Business Official has been with the district since July 2006. The prior Chief Business Official retired from the district after serving in the position seven years.

- **Does the governing board adopt clear and timely policies and support the administration in their implementation of those? No**
  A review of the district's board policies found that many policies and regulations have not been updated since the 1970s and 1980s.

- **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 reported in the 2005-06 independent audit report "The district is involved in major construction projects at most of the district's school sites. The district is a party to various legal proceedings related to these projects which normally occur in major construction contracts. These legal proceedings are not likely to have a material adverse impact on the affected funds of the district. The district has significant resources available in the bond construction funds to cover any losses for potential negative outcomes of these lawsuits." However, the audit does not clarify that COPS have been issued to cover cost overruns for capital facility projects.

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

16. Charter Schools** • Is this area acceptable?* .... ***Yes

The district does not have any district-sponsored charter schools. The High Tech High Bayshore Charter School, located in Redwood City, is a state-sponsored charter high school serving approximately 260 students. The district states this charter will no longer be operative effective 2007-08.

- **Has the charter school received an independent audit reflecting findings that may impact the fiscal certification of the authorizing agency? N/A**

- **Has the charter school been revoked? N/A**

- **Has an involuntary bankruptcy petition been filed? N/A**

17. Audit Report** • Is this area acceptable?*...No***

- **Did the district receive an audit report with material findings? Yes**
  The 2005-06 independent audit report included eight audit findings, one of which was cited as a material weakness, 2006-2 Issuance of Long-Term Debt. The 2004-05 independent audit report included three findings, two of which were not implemented in the 2005-06 fiscal year.

- **Can the audit findings be addressed without impacting the district's fiscal health? No**
  One of the audit findings, 2006-1 Deficit Spending, makes recommendations for the district to improve its fiscal health. The report states "The district should closely monitor its current and future budgets. Because the district is a "Basic Aid" district, it should consider maintaining available reserves in excess of the state recommended amount of 3%. We recommend that the district review its current policy of tying compensation to changes in property assessed valuations and negotiate new formulas with its various bargaining units as a stabilizing factor in the event of unanticipated decreases in property tax revenues. The district should consider designating a portion of the general fund budget in the future for potential encroachments related to the COPS repayment and anticipated cost overruns, if any."

18. Facilities • Is this area acceptable?...***No***

- **Has the district passed a general obligation bond? Yes**
  The district has passed two general obligation bonds since 2000 to finance school facilities.

- **Has the district met the audit and reporting requirements of Proposition 39? N/A**
  The district will need to meet these requirements when it issues bonds from Measure M, which passed in November, 2006.

- **Is the district participating in the state's School Facilities Program? Yes**

- **Does the district have sufficient personnel to properly track and account for facility-related projects? No**
  It appears that the district has relied extensively on outside construction management firms to oversee the budgets for capital facilities projects. The district has experienced significant cost overruns and should ensure that there is sufficient in-house staff to track and account for all facility projects. The district should also ensure that an operational assessment is

made prior to proceeding with each facility project. This will help gauge how the project will affect the general fund in relation to operational costs and ongoing maintenance costs.

- **Does the district have surplus property that may be sold or used for lease revenues? No**
  However, it was reported to FCMAT that Crestmore High School is a partially unused site.

- **Are there other potential statutory options? N/A**
  - Joint Use: Can the district enter into a joint use agreement with some entities without declaring the property surplus and without bidding?
  - Joint Occupancy: The Education Code provides for a joint venture that can authorize private development of district property that will result in some educational use.

- **Does the district have a Facilities Master Plan that was completed or updated in the last two years? Yes**
  The district has a Facilities Master Plan dated February, 2006.

RISK ANALYSIS

FCMAT totaled the number of areas that were not acceptable ("No" Responses) and used the following key 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

Total "No" Responses: 12

The district's risk analysis summary and total score of 12 "no" responses is in the **extremely high range**. Immediate steps should be taken to improve the district's fiscal health and reduce risk. The district should complete a Fiscal Health Risk Analysis annually.

Budget Processes and Procedures

Budget Development

The district adopts its annual budget within the statutory time lines established by Education Code Section 42127. This section requires that on or before July 1, the Governing Board hold 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. The district cabinet develops staffing formulas, and the Business Department begins to develop budget assumptions. During the ensuing months, district personnel prepare revenue forecasts, enrollment and staffing projections, and expenditure assumptions for the new budget year.

The district's budget development calendar is detailed and timely in some areas, but it is not timely in regard to enrollment and staffing projections. These two processes do not take place until late in February, leaving the district with no preparation time for possible certificated staff reductions before the March 15 deadline. When developing staffing projections, the district should involve staff members from human resources, business, curriculum and instruction and the site personnel responsible for master schedules. The projections should be completed by mid-January.

The budget development calendar reflects site involvement for capital needs requests only. Site and department budget managers should be involved in the entire budgeting process, including helping to determine how to spend site/department allocations as well as those for categorical programs. The budget development calendar should include a date for disbursement of budget worksheets and sufficient time for business office personnel to meet with site and department budget managers and their financial support personnel to review allocations for discretionary and categorical program budgets. The calendar also should include a deadline for each manager to return budget worksheets to the business office. The director of categorical programs should also be included in meetings related to categorical funding. If possible, school site plans should be developed and approved before budget worksheets are returned to the district office. At present, sites receive notification of their funding allocations in the fall. These should be provided in the spring during budget development so that sites have adequate time to plan for the upcoming year.

During budget development, the district budgets site allocations to one object code. In the fall, these budgets are revised to the more appropriate object codes. The correct allocation by object code should be completed during budget development to ensure that the budget reflects where funds are anticipated to be spent during the year. Budgeting to one account code does not reflect the appropriate expenditure expectations.

Partly due to the lack of involvement in budget development, site administrators, department managers and financial personnel are not thoroughly versed in reading and understanding budget reports. In addition to involving these personnel in the budget process, the business office should provide annual training on budget-related issues that will help ensure accountability by sites and departments for their portion of the district budget. Budget training needs to be provided and required for current budget managers and should be part of orientation as new staff responsible for site or department budgets are hired.

Minimal or no cross training appears to be occurring in some key areas in the district office, including the position control system. It is important for more than one individual to be trained in every key area of responsibility so that the district can function effectively in the absence of any staff member.

A new financial software program was installed countywide beginning in 2005-06. The district should ensure that all staff members have received sufficient training in the program's functions and capabilities so that they can be used most efficiently and effectively. It is important for staff members to be able to use the system to generate reports and download information on spreadsheets so that they can analyze financial information.

The budget development calendar does not include study sessions for the Governing Board. The board should be apprised of items affecting budget development. It is often productive to provide this information in study sessions devoted to budget development so that sufficient time can be devoted to questions and answers regarding the upcoming budget before its adoption in June.

Budget Monitoring

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.

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 in preventing overspending of an appropriation and budget line.

They are also an excellent way to monitor budgets to ensure that monies that have been committed are protected from being spent in any other manner. Encumbrances are of utmost importance to districts experiencing fiscal distress because they are a key to providing a full picture of the district's finances. Encumbrances are even more important to San Mateo Union since it no longer has a Purchasing Department to help regulate expenditures on items that were previously purchased in bulk. Encumbering payroll (salary and benefits) is also essential so that any differences between position control and payroll are readily recognized. The district's financial system does not encumber salary and benefit accounts. This is a disadvantage in budget monitoring since a significant amount of time is required to manually review each account.

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.

Budgets should be reviewed and updated monthly. The review should be at both the resource and object levels to ensure the district knows its projected fund balance at any given time. Budget transfers are prepared at the district level. The district should consider requiring the budget managers to complete their own budget transfers so that they are better informed of their budget status.

Sites and departments receive monthly budget reports from the business office but do not have online access to the financial system. To monitor their respective budgets in a timely manner, all budget managers should be provided read-only access to the financial system.

The Governing Board sometimes does not receive budget and interim report information in a timely manner. The board is responsible for approving budget matters and should be provided with sufficient time to review documents and ask questions. The district staff should designate time for board members' questions before approval of the documents.

Staffing Formulas

The Business and Human Resources departments are responsible for reviewing enrollment projections and staffing levels. The district does not use staffing formulas for all positions, and in some cases, uses formulas developed in the 1990s. Current staffing formulas should be developed for all positions and used as a guide to determine staffing allocations for each site and department. Staffing allocations should be made for all positions based on districtwide formulas that include variables such as projected site enrollment, collective bargaining agreements, square footage of buildings and numbers of acres to be maintained.

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 more than 88% of the unrestricted budget in high 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 district should integrate the position control system with other financial modules such as budget and payroll. 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 pays only employees hired for 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. 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's position control system is used for contracted positions, but is not yet fully integrated with the personnel, payroll and budget systems. Duties do not appear to be separated in a manner that provides for proper internal control. 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. This would enhance the district's ability to adequately project and monitor salary and benefit costs.

There are concerns throughout the district regarding a lack of clear communication. For example, the Business and Personnel departments should have clear channels of communication between them to ensure that personnel are not hired for positions that are not first included in the budget and position control system.

Recommendations

The district should:

1. Ensure all district stakeholders have a clear understanding of budget development and how the budget reflects the district's goals and objectives. A sample budget calendar is included in the appendix section of this report for the district's review and consideration.

2. Complete enrollment and staffing projections by mid-January each year.

3. Involve all budget managers in budget development.

4. Allot time on the budget development calendar for meetings with site and department managers to review their site allocations and categorical program budgets. This should occur in late March or early April.

5. Assign budgets to the appropriate object code during budget development instead of budgeting to one object code.

6. Consider requiring budget managers to complete their own budget transfers. Purchase requisitions should be processed only when the account line has a budget that is sufficient to cover the requested expenditure.

7. Regularly provide training on budget-related issues to all staff members with budget responsibility. Require annual training for all managers and clerical personnel, and especially for those who are new to the district or to their position.

8. Ensure that district office staff members are cross-trained in all key areas of responsibility.

9. Ensure that all staff members have received sufficient training regarding the new financial software program, CECC.

10. Conduct study sessions for the Governing Board between February and May specifically related to budget development for the subsequent year.

11. Perform budget monitoring by resource and object monthly, and take budget transfers and budget adjustments to the board for approval monthly.

12. Investigate whether the financial system will allow for encumbrances of contracted salary and benefit amounts and encumber those items if the software provides that capability.

13. Ensure that budget adoption and interim report documents are available to the Governing Board in a timely manner for review.

14. Arrange for specific times when board members can either call or come into the office to ask questions regarding budget and interim reports prior to their approval.

15. Provide online, read-only access to the financial system for all budget managers.

16. Develop current staffing formulas for all positions and use them as a guide to determine staffing allocations for each site and department.

17. Monitor staffing levels at budget adoption and throughout the year to maintain approved levels and prevent overstaffing, particularly in light of the district's financial situation.

18. Ensure that proper internal controls are maintained by dividing position control duties between the Business and Human Resources departments.

19. Keep the position control system current at all times and fully integrate the system to coordinate the functions of budgeting, personnel and payroll.

20. Utilize the position control system to upload salary and benefit information for each reporting period. The district should also consider including the salaries and benefits of all positions in the position control system, including substitutes, overtime and extra duty, instead of entering them manually to help regulate the budget throughout the year and ensure that salary and benefit lines are not overexpended.

Instructional Minutes

At its meeting on March 9, 2006, the Governing Board approved a seven-period schedule for all comprehensive high schools effective with the 2006-07 school year.

Education Code 46201 governs the number of annual instructional minutes and requires that students in grades 9-12 be offered the greater of 64,800 minutes of instruction per school year or the number of minutes offered by the district in 1982-83. Given these guidelines, the district is required to offer 64,800 minutes per year to students in grades 9-12 at each comprehensive high school. Title 5 Section 19824 (6) of the California Code of Regulations provides guidance on what constitutes an "offering" by describing practices that are not consistent with the offering of instructional time. It describes practices such as "offering only a small number of courses that in addition are appropriate only for limited numbers of pupils, and courses scheduled such that pupils may take them only by giving up their lunch period or by attending school outside the schedule of district-provided bus service." The California Department of Education has stated that for minutes to count toward annual requirements, offerings must be broad enough and a sufficient number of staff must be provided to accommodate all students wishing to take the optional seventh period.

According to the master schedules, most of the comprehensive high schools offer significantly fewer classes during the seventh period than during each of the other periods. A few of the high schools also offer many fewer classes during first period.

Because San Mateo Union is a basic-aid district, there is no financial penalty for failing to meet the required number of annual instructional minutes. The California Department of Education has also stated that because there is no financial penalty, a waiver is not necessary. Therefore, per current law, a basic-aid district does not have to make up the number of lost instructional minutes for two years (in addition to 64,800), as is required for revenue limit districts, to avoid a financial penalty. However, FCMAT recommends that the district comply with the intent of the law and ensure that all students are offered no less than the required number of minutes per year as stated in the Education Code.

Recommendation

The district should:

1. Review each comprehensive high school's master schedule to ensure that offerings are broad enough and a sufficient number of staff members are provided to accommodate all students wishing to take the optional seventh period. The district should then review each bell schedule to ensure that no less than 64,800 minutes are offered each school year.

Redevelopment Agency Funds

The California Redevelopment Law, Chapter 710, Statutes of 1951 was enacted by the California State Legislature with the objective of redeveloping areas found in many communities that were determined to be unsafe or that had deteriorated, or economically dislocated buildings and properties. In accordance with the Health and Safety Code Division 16, Section 33000, funding from local property taxes is generated to promote the redevelopment of blighted areas. Article XVI of the California Constitution was approved by the voters in 1952; therefore revenues generated are not subject to the limitations imposed by Article XIIIB, the Gann Limit.

Redevelopment Agencies (RDAs) may be created by city or county governments, and the legislative body for most RDAs is the same as the legislative body of the city or county: the City Council or the County Board of Supervisors. Most of the powers of RDAs are limited to the boundaries of a "redevelopment project area" (Project).

A single RDA may have multiple project areas. City projects must be entirely contained within city boundaries, and county projects must include only incorporated areas. All projects may include noncontiguous subareas and may be expanded by subsequent amendment of the project's redevelopment plan.

As set forth in statute, the fundamental purposes of redevelopment include (i) eliminate "blight" which "cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment," (ii) expand the supply of low- and moderate-income housing, and (iii) "expand employment opportunities for jobless, underemployed, and low-income persons."

RDA or "2 percent payments" are the inflationary revenues resulting from growth in the base year value of real property within a specified redevelopment project area. In no event shall the percentage increase for any assessment year determined pursuant to the Revenue and Taxation Code Section 110.1(f) exceed 2 percent of the prior year's value. This statutory requirement is consistent with Proposition 13 and subsequent initiatives, which in the absence of new construction or certain changes in ownership, states that assessed value increases in the current fiscal year may not exceed 2 percent or the percentage increase in the Consumer Price Index (CPI) in the previous calendar year, whichever is less.

AB 1290 Revenue Limit vs. Basic Aid Status

Prior to the passage of AB 1290 in 1993, Health and Safety Code Section 33676(a) required every school and community college district to "elect to be allocated" tax increment revenues generated by the redevelopment agency (RDA) unless a pass-through agreement was entered into in accordance with Health and Safety Code Section 33401. *These revenues generated could be utilized for educational facilities or operational purposes depending upon the specificity of the agreement and had no revenue limit offset.*

In Santa Ana Unified School District vs. Orange County Development Agency, 90 Cal. App. 4th 404 (2001) ("Santa Ana Decision") the court decided that Health & Safety Code Section 33676(a)(2), as amended in 1984, required that school and community college districts receive 2 percent payments. The court ruled that tax increment or 2 percent payments were mandatory from the redevelopment agency and that school district's and community college district's election was automatic and not necessary to receive these funds.

The court's finding that 2 percent payments were mandatory applies to all redevelopment project areas adopted between January 1, 1985 and December 31, 1993, "unless an agreement was entered into or payments are otherwise received by the affected taxing agency from such projects in accordance with former Health and Safety Code Section 33401."

San Mateo Union is considered a basic aid school district and is by definition totally locally funded. Since there is no back-fill requirement from state aid, the revenue limit offset required through the passage of AB 1290 is not applicable to the district. Through the basic aid status, the district can capture all the revenues received from redevelopment agencies for educational facilities unless the agency is reducing its payments due to financial assistance provided to the district from bonds previously issued. (See San Mateo Shoreline)

The district's pass-through payments are based on the actual taxable value of secured and unsecured property in each project area. In March 2007, the district received a report and analysis regarding the specific project areas from Fraser & Associates. The report summarizes the general assumptions related to the tax increment projections and includes specific language regarding each project area. The following data has been extracted from the report prepared by Fraser & Associates:

Fiscal Yr.	Foster City	Millbrae	San Bruno	San Mateo Shoreline	San Mateo Downtown	Total Revenue
2006-07	462,000	145,000	922,000	117,000	69,000	$1,715,000
2007-08	470,000	154,000	968,000	129,000	82,000	$1,803,000
2008-09	479,000	163,000	1,015,000	141,000	97,000	$1,895,000
2009-10	489,000	173,000	1,062,000	154,000	112,000	$1,990,000
2010-2011	501,000	183,000	1,109,000	169,000	127,000	$2,089,000

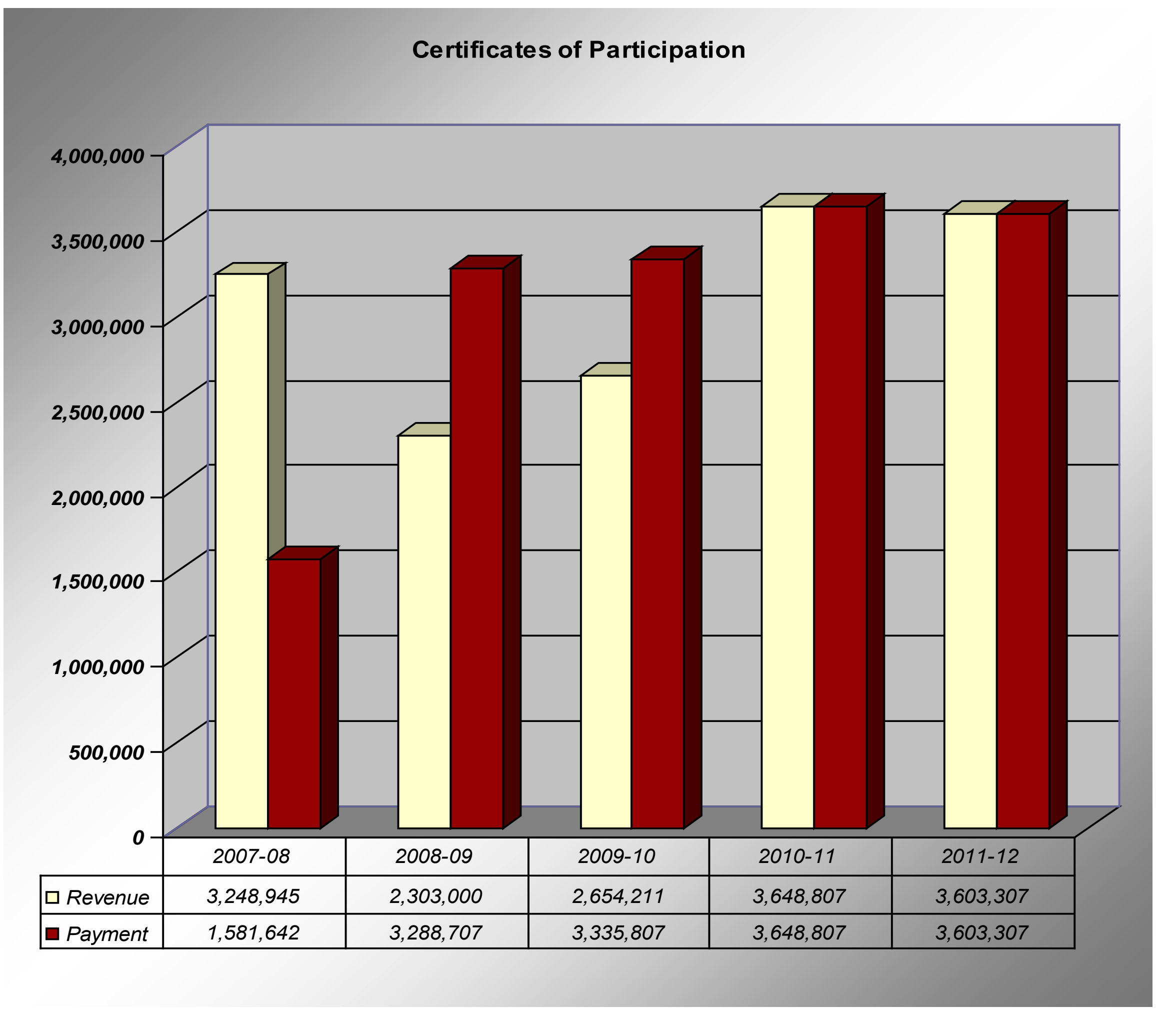
Projections utilize 4% annual growth rate; except Foster City is based on 2% annual growth rate

Certificates of Participation

According to the official statement dated March 15, 2007, the district issued $74,516,236.40 in certificates of participation (COPS) with a 37-year repayment schedule. The COP re-funding includes the completion of modernization and construction projects, certain other costs in connection with completed Phase I projects, prepaying all or a portion of the district's outstanding certificates of participation and lease obligations incurred with Phase I projects, establishing the reserve fund and paying the costs of issuance. The following is a recap of the COPS payment schedule over the next five years:

Period Ending December 15th	Principal	Interest	Total Payment
2007	0.00	1,581,642.81	1,581,642.81
2008	1,060,000.00	2,228,707.52	3,288,707.52
2009	1,140,000.00	2,195,807.52	3,335,807.52
2010	1,510,000.00	2,138,807.52	3,648,807.52
2011	1,540,000.00	2,063,307.52	3,603,307.52

The district has covenanted under the facilities sublease to include any action necessary to allocate the annual appropriations for all the base rental payments in the annual budget. It is anticipated that the district will utilize funding from the RDA, capital facilities fund (developer fees) and the general fund to make the required COP payments. The following analysis is provided:



Certificates of Participation
Revenue Analysis

	2007-08	2008-09	2009-10	2010-11	2011-12
Gen Fund	0	0	259,211	1,058,807	914,307
Dev Fees	1,533,945[1]	500,000	500,000	600,000	600,000
RDA	1,715,000	1,803,000	1,895,000	1,990,000	2,089,000
Total	**3,248,945**	**2,303,000**	**2,654,211**	**3,648,807**	**3,603,307**
Payment	1,581,642	3,288,707	3,335,807	3,648,807	3,603,307
Balance	**1,667,303**	**681,596**	**0**	**0**	**0**

Assumptions:

1. Developer Fee revenue includes carryover of $400,000 from the 2006-07 fiscal year and $633,945 repayment from general fund
2. General fund contribution must increase substantially to meet projected shortfall in future years
3. Developer Fee collection is based on current trends

Recommendations

The district should:

1. Deposit the RDA funds in fund 40 instead of the district's current accounting practice of commingling the RDA funds with the bond funds by depositing them both in fund 21. It is critical to set this up before the district's next general obligation bond issuance of $298 million.

2. Meet with the redevelopment agencies regarding the payment of interest on tax increment revenues as it appears that the RDA funds from the prior year are received by the district at the end of the next fiscal year and do not include applicable interest.

3. Utilize any increases in developer fees to offset COP payments and utilize any RDA funds not needed for the COP payments in the general fund. Because of the district's basic aid status, 43.3% of the RDA funding received could be utilized in the unrestricted general fund. This practice was occurring in 2002-03 and/or 2003-04 fiscal years until the increases in COP payments necessitated the use of all the RDA funds.

4. Be aware that additional general fund contributions may be required for debt service due to the projected shortfall from RDA funds and developer fees to meet the annual COP payments. This is significant, especially in light of the current COP cash out of $23 million that may not cover all projected capital facility expenditures.

5. Identify in writing the requirements for the cash out of $23 million in the construction and acquisition fund from the COPS refinancing to determine if additional funding from RDA monies will be further affected. (lawsuits, OPSC, etc.)

6. Meet with each elementary district that collects developer fees for the district and request the applicable interest for the fees collected. Fees are currently collected by three elementary districts. One elementary district remits funds collected at the end of the fiscal year, and two districts remit funds quarterly without any interest earnings.

7. Establish written procedures and tracking processes for the annual reconciliation of RDA funds.

8. Identify the number of capital facility projects and their funding sources and reconcile each project on a fund basis. The projects are currently tracked by site, and no one appears to have complete knowledge of funding requirements and the amount spent for each project.

Appendices

A. MYFP
B. Sample Budget Calendar
C. Study Agreement

General Fund/County School Service Fund
Unrestricted Resources Only
Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2006 - 07	Year 1 2007 - 08	Year 2 2008 - 09
Revenues				
Revenue Limit Sources	8010 - 8099	$71,047,476.00	$74,358,781.33	$76,979,032.86
Federal Revenues	8100 - 8299	$0.00	$0.00	$0.00
Other State Revenues	8300 - 8599	$2,456,550.00	$1,349,596.93	$1,343,175.94
Other Local Revenues	8600 - 8799	$4,054,862.00	$4,054,862.00	$4,054,862.00
Total Revenues		$77,558,888.00	$79,763,240.26	$82,377,070.80
Expenditures				
Certificated Salaries	1000 - 1999	$34,453,924.00	$34,857,072.98	$35,265,261.31
Classified Salaries	2000 - 2999	$9,998,999.52	$10,101,343.45	$10,165,131.32
Employee Benefits	3000 - 3999	$14,008,311.00	$14,082,072.69	$13,737,078.79
Books and Supplies	4000 - 4999	$1,745,168.37	$1,777,650.85	$1,808,846.49
Services and Other Operating Expenditures	5000 - 5999	$6,766,318.00	$7,120,650.03	$7,379,185.48
Capital Outlay	6000 - 6900	$25,425.00	$25,425.00	$25,425.00
Other Outgo	7000 - 7299	$400,000.00	$240,000.00	$240,000.00
Direct Support/Indirect Cost	7300 - 7399	($425,538.00)	($456,927.04)	($490,987.00)
Debt Service	7430 - 7439	$0.00	$0.00	$0.00
Total Expenditures		$66,972,607.89	$67,747,287.96	$68,129,941.39
Excess (Deficiency) of Revenues Over Expenditures		$10,586,280.11	$12,015,952.30	$14,247,129.41
Other Financing Sources\Uses				
Interfund Transfers In	8910 - 8929	$0.00	$0.00	$0.00
Interfund Transfers Out	7600 - 7629	$2,979,945.00	$64,000.00	$87,000.00
All Other Financing Sources	8930 - 8979	$0.00	$0.00	$0.00
All Other Financing Uses	7630 - 7699	$0.00	$0.00	$0.00
Contributions	8980 - 8999	($10,128,236.00)	($10,972,789.00)	($11,164,965.79)
Total Other Financing Sources\Uses		($13,108,181.00)	($11,036,789.00)	($11,251,965.79)
Net Increase (Decrease) in Fund Balance		($2,521,900.89)	$979,163.30	$2,995,163.62
Fund Balance				
Beginning Fund Balance (as of July 1 – Unaudited)	9791	$2,569,756.41	$47,855.52	$1,027,018.82
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance		$2,569,756.41	$47,855.52	$1,027,018.82
Ending Fund Balance		$47,855.52	$1,027,018.82	$4,022,182.44
Components of Ending Fund Balance				
Fund Balance, Reserved	9700 - 9709	$0.00	$0.00	$0.00
Revolving Cash	9711	$15,000.00	$15,000.00	$15,000.00
Stores	9712	$40,000.00	$40,000.00	$40,000.00
Prepaid Expenditures	9713	$0.00	$0.00	$0.00
Other Reserves	9719	$0.00	$0.00	$0.00
General Reserve	9730 - 9739	$0.00	$0.00	$0.00
Legally Restricted Balance	9740 - 9759	$0.00	$0.00	$0.00
Economic Uncertainties Percentage		3.00%	3.00%	3.00%
Designated for Economic Uncertainties	9770 - 9774	$2,844,390.60	$2,737,876.90	$2,760,326.06
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	$0.00	$0.00	$0.00
Other Designated	9780	$0.00	$475,000.00	$475,000.00
Undesignated/Unappropriated	9790	$0.00	$0.00	$731,856.38
Negative Shortfall	9790	($2,851,535.08)	($2,240,858.08)	$0.00

General Fund/County School Service Fund
Restricted Resources Only
Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2006 - 07	Year 1 2007 - 08	Year 2 2008 - 09
Revenues				
Revenue Limit Sources	8010 - 8099	$5,679,145.00	$5,826,141.32	$5,890,740.32
Federal Revenues	8100 - 8299	$2,212,625.92	$2,180,383.20	$2,180,383.20
Other State Revenues	8300 - 8599	$5,395,090.96	$3,578,359.06	$3,664,235.28
Other Local Revenues	8600 - 8799	$892,988.04	$893,602.79	$893,602.79
Total Revenues		$14,179,849.92	$12,478,486.37	$12,628,961.59
Expenditures				
Certificated Salaries	1000 - 1999	$6,730,030.00	$6,958,559.84	$7,068,401.94
Classified Salaries	2000 - 2999	$4,170,572.00	$4,321,709.57	$4,379,664.79
Employee Benefits	3000 - 3999	$3,549,493.00	$3,713,534.24	$3,748,442.76
Books and Supplies	4000 - 4999	$4,079,643.05	$2,087,413.32	$2,113,615.37
Services and Other Operating Expenditures	5000 - 5999	$2,713,247.00	$2,582,226.73	$2,597,540.74
Capital Outlay	6000 - 6900	$0.00	$0.00	$0.00
Other Outgo	7000 - 7299	$3,211,832.00	$3,295,339.63	$3,374,427.78
Direct Support/Indirect Cost	7300 - 7399	$21,650.00	$32,784.04	$37,945.00
Debt Service	7430 - 7439	$0.00	$0.00	$0.00
Total Expenditures		$24,476,467.05	$22,991,567.37	$23,320,038.38
Excess (Deficiency) of Revenues Over Expenditures		($10,296,617.13)	($10,513,081.00)	($10,691,076.79)
Other Financing Sources\Uses				
Interfund Transfers In	8910 - 8929	$0.00	$0.00	$0.00
Interfund Transfers Out	7600 - 7629	$384,000.00	$459,708.00	$473,889.00
All Other Financing Sources	8930 - 8979	$0.00	$0.00	$0.00
All Other Financing Uses	7630 - 7699	$0.00	$0.00	$0.00
Contributions	8980 - 8999	$10,128,236.00	$10,972,789.00	$11,164,965.79
Total Other Financing Sources\Uses		$9,744,236.00	$10,513,081.00	$10,691,076.79
Net Increase (Decrease) in Fund Balance		($552,381.13)	$0.00	$0.00
Fund Balance				
Beginning Fund Balance (as of July 1 – Unaudited)	9791	$552,381.13	$0.00	$0.00
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance		$552,381.13	$0.00	$0.00
Ending Fund Balance		$0.00	$0.00	$0.00
Components of Ending Fund Balance				
Fund Balance, Reserved	9700 - 9709	$0.00	$0.00	$0.00
Revolving Cash	9711	$0.00	$0.00	$0.00
Stores	9712	$0.00	$0.00	$0.00
Prepaid Expenditures	9713	$0.00	$0.00	$0.00
Other Reserves	9719	$0.00	$0.00	$0.00
General Reserve	9730 - 9739	$0.00	$0.00	$0.00
Legally Restricted Balance	9740 - 9759	$0.00	$0.00	$0.00
Designated for Economic Uncertainties	9770 - 9774	$0.00	$0.00	$0.00
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	$0.00	$0.00	$0.00
Other Designated	9780	$0.00	$0.00	$0.00
Undesignated/Unappropriated	9790	$0.00	$0.00	$0.00
Negative Shortfall	9790	$0.00	$0.00	$0.00

General Fund/County School Service Fund
Unrestricted and Restricted Resources
Revenues, Expenditures, and Changes in the Fund Balance

Name	Object Code	Base Year 2006 - 07	Year 1 2007 - 08	Year 2 2008 - 09
Revenues				
Revenue Limit Sources	8010 - 8099	$76,726,621.00	$80,184,922.65	$82,869,773.18
Federal Revenues	8100 - 8299	$2,212,625.92	$2,180,383.20	$2,180,383.20
Other State Revenues	8300 - 8599	$7,851,640.96	$4,927,955.99	$5,007,411.22
Other Local Revenues	8600 - 8799	$4,947,850.04	$4,948,464.79	$4,948,464.79
Total Revenues		$91,738,737.92	$92,241,726.63	$95,006,032.39
Expenditures				
Certificated Salaries	1000 - 1999	$41,183,954.00	$41,815,632.82	$42,333,663.25
Classified Salaries	2000 - 2999	$14,169,571.52	$14,423,053.02	$14,544,796.11
Employee Benefits	3000 - 3999	$17,557,804.00	$17,795,606.93	$17,485,521.55
Books and Supplies	4000 - 4999	$5,824,811.42	$3,865,064.17	$3,922,461.86
Services and Other Operating Expenditures	5000 - 5999	$9,479,565.00	$9,702,876.76	$9,976,726.22
Capital Outlay	6000 - 6900	$25,425.00	$25,425.00	$25,425.00
Other Outgo	7000 - 7299	$3,611,832.00	$3,535,339.63	$3,614,427.78
Direct Support/Indirect Cost	7300 - 7399	($403,888.00)	($424,143.00)	($453,042.00)
Debt Service	7430 - 7439	$0.00	$0.00	$0.00
Total Expenditures		$91,449,074.94	$90,738,855.33	$91,449,979.77
Excess (Deficiency) of Revenues Over Expenditures		$289,662.98	$1,502,871.30	$3,556,052.62
Other Financing Sources\Uses				
Interfund Transfers In	8910 - 8929	$0.00	$0.00	$0.00
Interfund Transfers Out	7600 - 7629	$3,363,945.00	$523,708.00	$560,889.00
All Other Financing Sources	8930 - 8979	$0.00	$0.00	$0.00
All Other Financing Uses	7630 - 7699	$0.00	$0.00	$0.00
Contributions	8980 - 8999	$0.00	$0.00	$0.00
Total Other Financing Sources\Uses		($3,363,945.00)	($523,708.00)	($560,889.00)
Net Increase (Decrease) in Fund Balance		($3,074,282.02)	$979,163.30	$2,995,163.62
Fund Balance				
Beginning Fund Balance (as of July 1 – Unaudited)	9791	$3,122,137.54	$47,855.52	$1,027,018.82
Audit Adjustments	9793	$0.00	$0.00	$0.00
Other Restatements	9795	$0.00	$0.00	$0.00
Adjusted Beginning Fund Balance		$3,122,137.54	$47,855.52	$1,027,018.82
Ending Fund Balance		$47,855.52	$1,027,018.82	$4,022,182.44
Components of Ending Fund Balance				
Fund Balance, Reserved	9700 - 9709	$0.00	$0.00	$0.00
Revolving Cash	9711	$15,000.00	$15,000.00	$15,000.00
Stores	9712	$40,000.00	$40,000.00	$40,000.00
Prepaid Expenditures	9713	$0.00	$0.00	$0.00
Other Reserves	9719	$0.00	$0.00	$0.00
General Reserve	9730 - 9739	$0.00	$0.00	$0.00
Legally Restricted Balance	9740 - 9759	$0.00	$0.00	$0.00
Economic Uncertainties Percentage		3.00%	3.00%	3.00%
Designated for Economic Uncertainties	9770 - 9774	$2,844,390.60	$2,737,876.90	$2,760,326.06
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	$0.00	$0.00	$0.00
Other Designated	9780	$0.00	$475,000.00	$475,000.00
Undesignated/Unappropriated	9790	$0.00	$0.00	$731,856.38
Negative Shortfall	9790	($2,851,535.08)	($2,240,858.08)	$0.00

Adult Education		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		4,974,964.00	4,698,713.00	6,024,377.00	5,567,452.00	5,792,377.06	5,948,771.24
8100-8299 FEDERAL		468,572.00	522,447.00	318,302.00	327,774.00	409,273.75	409,273.75
8300-8599 OTHER STATE		57,577.00	71,033.00	1.00	157,704.00	71,578.75	71,578.75
8600-8799 OTHER LOCAL		184,838.00	184,964.00	213,903.00	181,700.00	191,351.25	191,351.25
8910-8929 INTERFUND TRANSFER IN		0.00					
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**5,685,951.00**	**5,477,157.00**	**6,556,583.00**	**6,234,630.00**	**6,464,580.81**	**6,620,974.99**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		2,504,950.00	2,623,710.00	2,750,354.00	2,740,963.00	2,878,011.15	3,021,911.71
2000-2999 CLASSIFIED SALARY		639,866.00	696,239.00	776,647.00	830,237.00	888,353.59	950,538.34
3000-3999 EMPLOYEE BENEFIT		585,406.00	669,694.00	768,075.00	846,989.00	948,627.68	1,062,463.00
4000-4999 BOOKS & SUPPLIES		129,373.00	237,624.00	191,280.00	404,734.00	415,661.82	425,637.70
5000-5899 SERVICE, OTHER OPERATING		659,415.00	615,115.00	570,974.00	689,165.00	707,772.46	724,758.99
6000-6599 CAPITAL OUTLAY			(2,068.00)	32,292.00	694,000.00	52,730.00	53,995.52
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		252,015.00	273,210.00	250,589.00	317,848.00	264,480.73	280,194.53
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT		400,000.00	252,475.00				
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**5,171,025.00**	**5,365,999.00**	**5,340,211.00**	**6,523,936.00**	**6,155,637.42**	**6,519,499.80**
EXCESS (DEFICIENCY)		514,926.00	111,158.00	1,216,372.00	(289,306.00)	308,943.39	101,475.19
BEGINNING BALANCE		707,592.00	1,222,518.00	1,333,676.00	2,550,048.00	2,260,742.00	2,569,685.39
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**1,222,518.00**	**1,333,676.00**	**2,550,048.00**	**2,260,742.00**	**2,569,685.39**	**2,671,160.58**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**1,222,518.00**	**1,333,676.00**	**2,550,048.00**	**2,260,742.00**	**2,569,685.39**	**2,671,160.58**

Child Development		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00	0.00			0.00	0.00
8100-8299 FEDERAL		6,680.00	5,497.00	7,800.00	3,500.00	5,869.25	5,869.25
8300-8599 OTHER STATE		74,180.00	58,464.00	70,199.00	86,000.00	72,210.75	72,210.75
8600-8799 OTHER LOCAL		1,400.00	1,368.00	1,903.00	2,000.00	1,900.00	1,900.00
8910-8929 INTERFUND TRANSFER IN		30,000.00	30,000.00	0.00	0.00		
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**112,260.00**	**95,329.00**	**79,902.00**	**91,500.00**	**79,980.00**	**79,980.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00	0.00	0.00	0.00	0.00	0.00
2000-2999 CLASSIFIED SALARY		49,024.00	54,423.00	51,240.00	72,472.00	60,402.00	64,026.12
3000-3999 EMPLOYEE BENEFIT		23,427.00	26,995.00	27,336.00	43,501.00	28,388.94	32,647.28
4000-4999 BOOKS & SUPPLIES		6,258.00	6,150.00	9,530.00	7,500.00	7,702.50	7,887.36
5000-5899 SERVICE, OTHER OPERATING		50.00	883.00	3,650.00	1,000.00	1,027.00	1,051.65
6000-6599 CAPITAL OUTLAY						0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00	0.00	0.00	0.00	0.00	0.00
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT							
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**78,759.00**	**88,451.00**	**91,756.00**	**124,473.00**	**97,520.44**	**105,612.41**
EXCESS (DEFICIENCY)		33,501.00	6,878.00	(11,854.00)	(32,973.00)	(17,540.44)	(25,632.41)
BEGINNING BALANCE		53,954.00	87,455.00	94,333.00	82,479.00	49,506.00	31,965.56
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**87,455.00**	**94,333.00**	**82,479.00**	**49,506.00**	**31,965.56**	**6,333.15**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**87,455.00**	**94,333.00**	**82,479.00**	**49,506.00**	**31,965.56**	**6,333.15**

Cafeteria Special Revenue		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL		71,109.00	102,362.00	119,668.00	117,421.00	137,382.57	154,382.57
8300-8599 OTHER STATE		2,489.00	4,328.00	8,328.00	7,923.00	8,243.09	8,465.65
8600-8799 OTHER LOCAL		1,590,610.00	1,633,409.00	1,701,400.00	1,744,246.00	1,796,573.38	1,850,470.58
8910-8929 INTERFUND TRANSFER IN		145,000.00	113,000.00	53,000.00	46,000.00	64,000.00	87,000.00
8930-8979 OTHER SOURCES				0.00	0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**1,809,208.00**	**1,853,099.00**	**1,882,396.00**	**1,915,590.00**	**2,006,199.04**	**2,100,318.80**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		699,544.00	680,477.00	692,746.00	691,430.00	705,258.60	719,363.77
3000-3999 EMPLOYEE BENEFIT		254,426.00	301,275.00	338,220.00	371,998.00	420,357.74	475,004.25
4000-4999 BOOKS & SUPPLIES		764,905.00	750,841.00	740,780.00	749,210.00	769,438.67	787,905.20
5000-5899 SERVICE, OTHER OPERATING		89,607.00	27,291.00	28,167.00	25,575.00	26,265.53	26,895.90
6000-6599 CAPITAL OUTLAY					0.00	0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00	86,000.00	86,040.00	86,040.00	86,459.42	90,412.61
7400-7499 DEBT SERVCE					0.00		
7610-7629 INTERFUND TRANSFERS OUT							
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**1,808,482.00**	**1,845,884.00**	**1,885,953.00**	**1,924,253.00**	**2,007,779.96**	**2,099,581.72**
EXCESS (DEFICIENCY)		726.00	7,215.00	(3,557.00)	(8,663.00)	(1,580.92)	737.08
BEGINNING BALANCE		5,868.00	6,594.00	13,809.00	10,252.00	1,589.00	8.08
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**6,594.00**	**13,809.00**	**10,252.00**	**1,589.00**	**8.08**	**745.16**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES		0.00	0.00	0.00	0.00		
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**6,594.00**	**13,809.00**	**10,252.00**	**1,589.00**	**8.08**	**745.16**

Deferred Maintenance		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL		0.00				0.00	0.00
8300-8599 OTHER STATE		234,142.00	602,389.00	24,215.00	350,000.00	400,000.00	400,000.00
8600-8799 OTHER LOCAL		12,265.00	17,554.00	27,660.00	15,000.00	18,119.75	20,987.00
8910-8929 INTERFUND TRANSFER IN		250,000.00	367,184.00	517,890.00	384,000.00	459,708.00	473,889.00
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**496,407.00**	**987,127.00**	**569,765.00**	**749,000.00**	**877,827.75**	**894,876.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00	0.00	0.00	0.00	0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00	0.00		0.00	0.00	0.00
4000-4999 BOOKS & SUPPLIES		9,168.00	61,601.00	34,375.00	29,000.00	29,783.00	30,497.79
5000-5899 SERVICE, OTHER OPERATING		88,667.00	350,510.00	605,316.00	500,000.00	513,500.00	525,824.00
6000-6599 CAPITAL OUTLAY		0.00	166,601.00	420,395.00	0.00	0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00				0.00	0.00
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT							
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**97,835.00**	**578,712.00**	**1,060,086.00**	**529,000.00**	**543,283.00**	**556,321.79**
EXCESS (DEFICIENCY)		398,572.00	408,415.00	(490,321.00)	220,000.00	334,544.75	338,554.21
BEGINNING BALANCE		324,780.00	723,352.00	1,131,767.00	641,446.00	861,446.00	1,195,990.75
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**723,352.00**	**1,131,767.00**	**641,446.00**	**861,446.00**	**1,195,990.75**	**1,534,544.96**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**723,352.00**	**1,131,767.00**	**641,446.00**	**861,446.00**	**1,195,990.75**	**1,534,544.96**

		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Special Reserve - Other than Capital Outlay Projects		**ACTUALS**	**ACTUALS**	**ACTUALS**	**SECOND INTERIM**	**Projected Budget**	**Projected Budget**
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL		0.00				0.00	0.00
8300-8599 OTHER STATE		0.00	0.00	0.00	0.00	0.00	0.00
8600-8799 OTHER LOCAL		2,196.00	3,101.00	3,277.00	70.00	20,000.00	20,000.00
8910-8929 INTERFUND TRANSFER IN		30,000.00	30,000.00	0.00	700,000.00		
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**32,196.00**	**33,101.00**	**3,277.00**	**700,070.00**	**20,000.00**	**20,000.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00	0.00	0.00	0.00	0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00	0.00		0.00	0.00	0.00
4000-4999 BOOKS & SUPPLIES		0.00	0.00	0.00	0.00	0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		0.00	0.00	0.00	0.00	0.00	0.00
6000-6599 CAPITAL OUTLAY		0.00	0.00	0.00	0.00	0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00				0.00	0.00
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT				139,000.00			
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**0.00**	**0.00**	**139,000.00**	**0.00**	**0.00**	**0.00**
EXCESS (DEFICIENCY)		32,196.00	33,101.00	(135,723.00)	700,070.00	20,000.00	20,000.00
BEGINNING BALANCE		72,226.00	104,422.00	137,523.00	1,800.00	701,870.00	721,870.00
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**104,422.00**	**137,523.00**	**1,800.00**	**701,870.00**	**721,870.00**	**741,870.00**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**104,422.00**	**137,523.00**	**1,800.00**	**701,870.00**	**721,870.00**	**741,870.00**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Building	**ACTUALS**	**ACTUALS**	**ACTUALS**	**SECOND INTERIM**	**Projected Budget**	**Projected Budget**
REVENUES:						
8010-8099 REVENUE LIMIT SOURCES						
8100-8299 FEDERAL						
8300-8599 OTHER STATE						
8600-8799 OTHER LOCAL	3,220,646.00	2,487,513.00	74,431.00	320,000.00	0.00	0.00
8910-8929 INTERFUND TRANSFER IN	575,000.00	427,475.00	2,757,642.00	15,423,280.00		
8930-8979 OTHER SOURCES	27,795,350.00	20,500,000.00	15,000,000.00	23,000,000.00		
	0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES	**31,590,996.00**	**23,414,988.00**	**17,832,073.00**	**38,743,280.00**	**0.00**	**0.00**
EXPENDITURES						
1000-1999 CERTIFICATED SALARY	0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY	0.00			112,698.00		
3000-3999 EMPLOYEE BENEFIT	0.00			41,494.00		
4000-4999 BOOKS & SUPPLIES	0.00			90,000.00		
5000-5899 SERVICE, OTHER OPERATING	0.00			5,138,160.00		
6000-6599 CAPITAL OUTLAY	57,752,863.00	50,013,495.00	39,784,813.00	18,243,255.00		
7100-7299 OTHER OUTGO			482,875.00			0.00
7300-7399 DIRECT SUPPORT/INDIRECT COST						
7400-7499 DEBT SERVCE		204,000.00	913,316.00			
7610-7629 INTERFUND TRANSFERS OUT	350,000.00	791,553.00	500,000.00			
7630-7699 OTHER USES		608,976.00				
TOTAL EXPENDITURES, TRANSFERS OUT/USES	**58,102,863.00**	**51,618,024.00**	**41,681,004.00**	**23,625,607.00**	**0.00**	**0.00**
EXCESS (DEFICIENCY)	(26,511,867.00)	(28,203,036.00)	(23,848,931.00)	15,117,673.00	0.00	0.00
BEGINNING BALANCE	82,591,648.00	56,079,781.00	27,876,745.00	4,027,814.00	19,145,487.00	19,145,487.00
Restatement	0.00		0.00			
AUDIT ADJUSTMENTS	0.00					
ENDING BALANCE:	**56,079,781.00**	**27,876,745.00**	**4,027,814.00**	**19,145,487.00**	**19,145,487.00**	**19,145,487.00**
REVOLVING CASH	0.00	0.00	0.00	0.00	0.00	0.00
STORES						
OTHER RESERVES	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)	**56,079,781.00**	**27,876,745.00**	**4,027,814.00**	**19,145,487.00**	**19,145,487.00**	**19,145,487.00**

Capital Facilities		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL						0.00	0.00
8300-8599 OTHER STATE			100,000.00			0.00	0.00
8600-8799 OTHER LOCAL		1,173,575.00	582,356.00	1,036,961.00	400,000.00	500,000.00	500,000.00
8910-8929 INTERFUND TRANSFER IN		0.00			633,945.00		
8930-8979 OTHER SOURCES				15,000,000.00	0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**1,173,575.00**	**682,356.00**	**16,036,961.00**	**1,033,945.00**	**500,000.00**	**500,000.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		59,763.00	118,791.00	65,857.00	25,000.00	26,250.00	27,562.50
2000-2999 CLASSIFIED SALARY		117.00	325.00	1,822.00	0.00	0.00	0.00
3000-3999 EMPLOYEE BENEFIT		5,324.00	18,152.00	8,883.00	3,048.00	3,505.20	4,030.98
4000-4999 BOOKS & SUPPLIES		0.00	0.00	6,524.00	30,000.00	0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		58,317.00	47,119.00	303,500.00	3,500.00	3,594.50	3,680.77
6000-6599 CAPITAL OUTLAY		1,661,564.00	(5,957.00)	1,720,639.00		0.00	0.00
7100-7299 OTHER OUTGO		0.00					
7300-7399 DIRECT SUPPORT/INDIRECT COST						0.00	0.00
7400-7499 DEBT SERVCE						1,533,945.00	500,000.00
7610-7629 INTERFUND TRANSFERS OUT		250,000.00	367,184.00	1,716,587.00	13,723,280.00		
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**2,035,085.00**	**545,614.00**	**3,823,812.00**	**13,784,828.00**	**1,567,294.70**	**535,274.25**
EXCESS (DEFICIENCY)		(861,510.00)	136,742.00	12,213,149.00	(12,750,883.00)	(1,067,294.70)	(35,274.25)
BEGINNING BALANCE		2,430,488.00	1,568,978.00	1,705,720.00	13,918,869.00	1,167,986.00	100,691.30
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**1,568,978.00**	**1,705,720.00**	**13,918,869.00**	**1,167,986.00**	**100,691.30**	**65,417.05**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**1,568,978.00**	**1,705,720.00**	**13,918,869.00**	**1,167,986.00**	**100,691.30**	**65,417.05**

		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
					SECOND	Projected	Projected
County School Facilities		**ACTUALS**	**ACTUALS**	**ACTUALS**	**INTERIM**	**Budget**	**Budget**
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL						0.00	0.00
8300-8599 OTHER STATE		8,738,985.00	0.00	0.00		0.00	0.00
8600-8799 OTHER LOCAL		483,866.00	333,955.00	138,080.00		0.00	0.00
8910-8929 INTERFUND TRANSFER IN		0.00	0.00	0.00			
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**9,222,851.00**	**333,955.00**	**138,080.00**	**0.00**	**0.00**	**0.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00	0.00	0.00		0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00	0.00	0.00		0.00	0.00
4000-4999 BOOKS & SUPPLIES		0.00	0.00	0.00		0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		0.00	0.00	0.00		0.00	0.00
6000-6599 CAPITAL OUTLAY		4,373,192.00	15,427,916.00	907,446.00	0.00	0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00				0.00	0.00
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT							
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**4,373,192.00**	**15,427,916.00**	**907,446.00**	**0.00**	**0.00**	**0.00**
EXCESS (DEFICIENCY)		4,849,659.00	(15,093,961.00)	(769,366.00)	0.00	0.00	0.00
BEGINNING BALANCE		11,020,712.00	15,870,371.00	776,410.00	7,044.00	7,044.00	7,044.00
Restatement		0.00					
AUDIT ADJUSTMENTS		0.00					
ENDING BALANCE:		**15,870,371.00**	**776,410.00**	**7,044.00**	**7,044.00**	**7,044.00**	**7,044.00**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**15,870,371.00**	**776,410.00**	**7,044.00**	**7,044.00**	**7,044.00**	**7,044.00**

Special Reserve for Capital Outlay Projects		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL						0.00	0.00
8300-8599 OTHER STATE						0.00	0.00
8600-8799 OTHER LOCAL		1,480,242.00	43,260.00	42,033.00	1,118,000.00	1,721,000.00	1,824,000.00
8910-8929 INTERFUND TRANSFER IN		0.00					
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**1,480,242.00**	**43,260.00**	**42,033.00**	**1,118,000.00**	**1,721,000.00**	**1,824,000.00**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00				0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00				0.00	0.00
4000-4999 BOOKS & SUPPLIES		0.00				0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		0.00				0.00	0.00
6000-6599 CAPITAL OUTLAY						0.00	0.00
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00				0.00	0.00
7400-7499 DEBT SERVCE					1,058,700.00	47,697.81	2,788,707.52
7610-7629 INTERFUND TRANSFERS OUT				1,500,000.00			
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**0.00**	**0.00**	**1,500,000.00**	**1,058,700.00**	**47,697.81**	**2,788,707.52**
EXCESS (DEFICIENCY)		1,480,242.00	43,260.00	(1,457,967.00)	59,300.00	1,673,302.19	(964,707.52)
BEGINNING BALANCE		13,732.00	1,493,974.00	1,537,234.00	79,267.00	138,567.00	1,811,869.19
Restatement		0.00					
AUDIT ADJUSTMENTS							
ENDING BALANCE:		**1,493,974.00**	**1,537,234.00**	**79,267.00**	**138,567.00**	**1,811,869.19**	**847,161.67**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**1,493,974.00**	**1,537,234.00**	**79,267.00**	**138,567.00**	**1,811,869.19**	**847,161.67**

		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Foundation Permanent		**ACTUALS**	**ACTUALS**	**ACTUALS**	**SECOND INTERIM**	**Projected Budget**	**Projected Budget**
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL						0.00	0.00
8300-8599 OTHER STATE		0.00				0.00	0.00
8600-8799 OTHER LOCAL		17,406.00	17,814.00	22,646.00	20,000.00	19,466.50	19,466.50
8910-8929 INTERFUND TRANSFER IN		0.00					
8930-8979 OTHER SOURCES					0.00	0.00	0.00
		0.00					
TOTAL REVENUES, TRANSFERS IN/SOURCES		**17,406.00**	**17,814.00**	**22,646.00**	**20,000.00**	**19,466.50**	**19,466.50**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00				0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00				0.00	0.00
4000-4999 BOOKS & SUPPLIES		0.00	80.00		0.00	0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		6,580.00	5,598.00	4,671.00	651,605.00	5,000.00	5,120.00
6000-6599 CAPITAL OUTLAY						0.00	0.00
7100-7299 OTHER OUTGO		0.00	0.00				
7300-7399 DIRECT SUPPORT/INDIRECT COST		0.00				0.00	0.00
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT		0.00	0.00				
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**6,580.00**	**5,678.00**	**4,671.00**	**651,605.00**	**5,000.00**	**5,120.00**
EXCESS (DEFICIENCY)		10,826.00	12,136.00	17,975.00	(631,605.00)	14,466.50	14,346.50
BEGINNING BALANCE		610,668.00	621,494.00	633,630.00	651,605.00	20,000.00	34,466.50
Restatement		0.00					
AUDIT ADJUSTMENTS		0.00					
ENDING BALANCE:		**621,494.00**	**633,630.00**	**651,605.00**	**20,000.00**	**34,466.50**	**48,813.00**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**621,494.00**	**633,630.00**	**651,605.00**	**20,000.00**	**34,466.50**	**48,813.00**

Student Body		2003-04 ACTUALS	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 SECOND INTERIM	2007-08 Projected Budget	2008-09 Projected Budget
REVENUES:							
8010-8099 REVENUE LIMIT SOURCES		0.00				0.00	0.00
8100-8299 FEDERAL		0.00				0.00	0.00
8300-8599 OTHER STATE		0.00				0.00	0.00
8600-8799 OTHER LOCAL		1,227,831.00	1,448,447.00	1,388,378.00	1,388,378.00	1,363,258.50	1,363,258.50
8910-8929 INTERFUND TRANSFER IN							
8930-8979 OTHER SOURCES							
TOTAL REVENUES, TRANSFERS IN/SOURCES		**1,227,831.00**	**1,448,447.00**	**1,388,378.00**	**1,388,378.00**	**1,363,258.50**	**1,363,258.50**
EXPENDITURES							
1000-1999 CERTIFICATED SALARY		0.00				0.00	0.00
2000-2999 CLASSIFIED SALARY		0.00				0.00	0.00
3000-3999 EMPLOYEE BENEFIT		0.00				0.00	0.00
4000-4999 BOOKS & SUPPLIES		0.00				0.00	0.00
5000-5899 SERVICE, OTHER OPERATING		1,329,298.00	1,342,052.00	1,392,867.00	1,392,867.00	1,430,474.41	1,464,805.79
6000-6599 CAPITAL OUTLAY							
7100-7299 OTHER OUTGO							
7300-7399 DIRECT SUPPORT/INDIRECT COST							
7400-7499 DEBT SERVCE							
7610-7629 INTERFUND TRANSFERS OUT							
7630-7699 OTHER USES							
TOTAL EXPENDITURES, TRANSFERS OUT/USES		**1,329,298.00**	**1,342,052.00**	**1,392,867.00**	**1,392,867.00**	**1,430,474.41**	**1,464,805.79**
EXCESS (DEFICIENCY)		(101,467.00)	106,395.00	(4,489.00)	(4,489.00)	(67,215.91)	(101,547.29)
BEGINNING BALANCE		938,025.00	836,558.00	942,953.00	938,464.00	933,975.00	866,759.09
Restatement		0.00	0.00				
AUDIT ADJUSTMENTS		0.00	0.00				
ENDING BALANCE:		**836,558.00**	**942,953.00**	**938,464.00**	**933,975.00**	**866,759.09**	**765,211.80**
REVOLVING CASH		0.00	0.00	0.00	0.00	0.00	0.00
STORES							
OTHER RESERVES		0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY)		**836,558.00**	**942,953.00**	**938,464.00**	**933,975.00**	**866,759.09**	**765,211.80**

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.

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.

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

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 <u>one</u> 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)

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 <u>uniqueness</u> 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.

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

DATE	FUNCTION	RESPONSIBILITY
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
Julyor 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 & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
March 2, 2007

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

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. The COE has requested that the Team provide for the assignment of professionals to study specific aspects of the San Mateo Union High School District, hereinafter referred to as the 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

Following discussion with the San Mateo County Office of Education and the San Mateo Union High School District, FCMAT is requested by the County and District to provide the following services:

1) Prepare a multiyear financial projection of all the district's funds using FCMAT's Budget Explorer software to identify the financial condition of the district's funds in 2007-08 and 2008-09 using identified industry variables. The projection will be based on the district's 2006-07 first interim report and revenue and expenditure trends of recent years.
2) Prepare a fiscal health analysis using the 18 factors included in the FCMAT Fiscal Health Risk Analysis model, and identify the district's risk rating.
3) Conduct a review of the district's budgeting processes and procedures and provide recommendations for improvements if necessary.
4) Conduct a review of the district's instructional minutes for the 2006-07 school year.
5) Conduct a review of the receipt and recording of redevelopment agency funds.

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 COE and 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 COE and District administration for review and comment.

6) Final Report - Sufficient copies of the final study report will be delivered to the COE and 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. Anthony Bridges, FCMAT Deputy Executive Officer
C. Linda Grundhoffer, FCMAT Fiscal Consultant
D. Margaret Rosales, FCMAT Fiscal 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 scope of work identified in section 2 A, estimated total cost is $22,000. The COE will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the COE and District.

   Costs for professional services will be passed through to the COE at the actual amount billed to FCMAT.

   Following full payment to the Kern County Superintendent of Schools, the COE may submit a claim for reimbursement to FCMAT of 25% of the total cost of the review based on the provisions of Education Code 42127.6 (a)(1)(B).

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

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

Administrative Agent.

5. RESPONSIBILITIES OF THE COE

A. The 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

C. The COE and 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 COE and District pupils. The COE and 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:	To be determined
Staff Interviews:	To be determined
Exit Interviews:	To be determined
Preliminary Report Submitted:	To be determined
Final Report Submitted:	To be determined
Board Presentation:	To be determined

7. CONTACT PERSON

Please print name of contact person: Theresa Parsons, Associate Superintendent of Fiscal and Operational Services

Telephone 650 802-5512 FAX 650 802-5528

Internet Address tparsons@smcoe.k12.ca.us

Jean Holbrook 3-7-07

Dr. Jean Holbrook, County Superintendent Date
San Mateo County Office of Education

Barbara Dean 3/05/07

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

Indicate number of copies of report needed 10