

LAMMERSVILLE SCHOOL DISTRICT

FISCAL ANALYSIS



**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**

TABLE OF CONTENTS

Section	Page
INTRODUCTION.....	1
GENERAL FUND (Fund 01).....	2
CHARTER SCHOOLS SPECIAL RESERVE FUND (Fund 09)	14
CAFETERIA FUND (Fund 13)	15
DEFERRED MAINTENANCE FUND (Fund 14).....	17
CAPITAL FACILITIES FUND (Fund 25).....	18
COUNTY SCHOOLS FACILITIES FUNDS (Fund 35).....	19
SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS (Fund 40)	20
CAPITAL PROJECT FUND FOR BLENDED COMPONENTS UNITS (Fund 49)	21
DEBT SERVICE FUND (Fund 52).....	23
RETIREEES BENEFIT FUND (Fund 71).....	24
RECOMMENDATIONS FOR MAXIMIZING REVENUES AND RESOURCES.....	25

INTRODUCTION

The Lammersville Elementary School District (LESD) engaged Total School Solutions (TSS) to provide a fiscal analysis that includes a full description of all revenues and expenditures generated by the district, the source of all revenues including a description of each of the funds the district is utilizing and within each of the funds a review of the available carryover balances and possibly flexibility options, and recommendations to maximize revenues.

Local educational agencies (LEA's) such as the Lammersville Elementary School District (LESD) are organized and operated on a fund basis. A fund is a fiscal and accounting entity used to record financial resources and liabilities. Each fund is used in accordance with special regulations, restrictions and limitations.

The LESD utilizes ten separate funds to record its resources and liabilities. They include, General Fund (Fund 01), Charter Schools Special Revenue Fund (Fund 09), Cafeteria Fund (Fund 13), Deferred Maintenance Fund (Fund 14), Capital Facilities Fund (Fund 25), County Schools Facilities Fund (Fund 35), Special Reserve for Capital Outlay Projects (Fund 40), Capital Project Fund for Blended Components Unit (Fund 49), Debt Service Fund (Fund 52), and the Retirees Benefit Fund (Fund 71).

GENERAL FUND (Fund 01)

The general fund is used to account for the ordinary operations of the district.

The general fund is made up of unrestricted and restricted resources. Restricted projects or activities within the general fund must be identified and reported separately from unrestricted projects or activities. This is accomplished by the use of codes in the resource field that designate whether the resources are restricted or unrestricted.

The general fund is made up of four types of unrestricted and restricted revenues. The chart below provides a summary of the amounts received during 2007-08.

2007-08 General Fund Revenues (Unaudited Actuals)

<u>Revenue Sources</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>
Revenue Limit Sources	\$8,105,786	\$151,217	\$8,257,003
Federal Revenue	\$0	\$164,503	\$164,503
State Revenue	\$1,030,648	\$380,500	\$1,411,148
Local Revenue	\$126,917	\$314,980	\$441,898
Total General Fund Revenue	\$9,263,351	\$1,011,200	\$10,274,552

The chart below provides a summary of the revenues received as a percent of the unrestricted general fund, restricted general fund and combined general fund.

2007-08 General Fund Revenues (Unaudited Actuals)

<u>Revenue Sources</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>
Revenue Limit Sources	88%	15%	80%
Federal Revenue	0%	16%	2%
State Revenue	11%	38%	14%
Local Revenue	1%	31%	4%
Total General Fund Revenue	100%	100%	100%

UNRESTRICTED FUNDING SOURCES

REVENUE LIMIT FUNDING SOURCES

“Revenue Limit” is the term used to describe the formula for allocation of state funding to school districts in California. Revenue limit is a limit on the amount each school district receives per pupil on the basis of the average daily attendance (ADA) as reported during the period two (P2) attendance period. The state allows a district to use the higher of the current P2 ADA or the prior year data. The intent is to provide districts experiencing declining enrollment a “softer landing” from year to year. The resulting total is then funded by two sources, which are local property taxes and state aid. The property tax revenue is applied first and the balance is funded with state aid.

The LESD 2007-08 base revenue limit was \$5,619.37. The state is projecting a cost of living adjustment of 5.66 percent or \$315 for Elementary School Districts. The district’s projected 2008-09 base revenue limit is \$5,934.37. However, since the state budget cannot fully fund school districts revenue limit entitlements, a “deficit factor” has been applied to account for the shortfall. The deficit factor is projected to be 4.71 percent. Thus, the district’s deficiated revenue limit per student is projected to be \$5,654.86; which is an overall increase of approximately \$35.49 per ADA or .63 percent from 2007-08.

The district is projecting the 2008-09 P2 ADA to be 1553, which is an increase of 81.28 ADA from 2007-08. In terms of dollars, this increase in ADA will generate \$459,627 in additional funding. However, the increase in students will necessitate an increase in staffing, supplies and operational costs.

In 2007-08 the district's daily attendance rate was about 96 percent, which is equal to the statewide average for daily attendance. The district experiences a great deal of fluctuation in enrollment throughout the year. From August 2007 to May 2008 the district's enrollment grew by 158 students. Student enrollment grew by eighty-eight students within the first half of the school year and an additional seventy within the second half of the year. The district is projecting to increase by eight-five students in 2008-09.

STATE FUNDING

K-3 Class Size Reduction

LESD is a participant in the K-3 Class Size Reduction Program (CSR). The program provides additional funding to encourage districts to reduce class sizes in grades K through 3 to 20 students per teacher on average. For 2008-09, the funding for this program is projected to be \$1,071 per student participating in the full-day program. In 2007-08 the district received \$770,049 in CSR funding and is projecting to receive \$736,470 in 2008-09.

Lottery Funding

Unrestricted Lottery funding is projected to be \$118 per student ADA (prior year annual attendance multiplied by 1.04446 percent, the statewide excused attendance rate). The district is projecting \$169,050 in unrestricted lottery funding. These funds may be used at the districts discretion.

Other State Funding

The district is projecting to receive \$48,385 for supplemental instruction programs (hourly programs/summer school) and \$2,500 from other state sources, which is presumably STAR testing.

OTHER LOCAL FUNDING SOURCES

Interest

The district projected \$30,567 in interest earnings for 2008-09. However, this amount will likely be adjusted downward once the first quarter earnings are known. The district received a total of \$33,997 in interest earnings in 2007-08.

Rental and Lease Income

The district is projecting to receive \$25,000 in income from facility rentals for 2008-09. The district received a total of \$59,622 in 2007-08.

Other Local

The district is projecting to receive \$14,680 from donations and field trip contributions. The revenues collected will likely incur an offsetting expense. The district collected a total of \$33,284 in other local revenues in 2007-08.

The principal revenues and other sources within the unrestricted general fund for 2007-08 include:

Unrestricted Revenue Funding Sources 2007-2008 (Unaudited Actuals)

Revenue Limit Funding Sources:

State Aid	\$ 5,629,853
State Aid (prior years)	\$ (17,911)
Property Taxes	<u>\$ 2,599,745</u>
Subtotal, Revenue Limit Sources	\$ 8,211,687

Revenue Limit Transfers:

Revenue Limit Transfers (to Special Education)	\$ (151,217)
PERS Reduction Transfer	<u>\$ 45,316</u>
Total, Revenue Limit Sources:	\$ 8,105,786

Unrestricted State Funding Sources:

Hourly Programs	\$ 68,878
K- 3 Class Size Reduction Funding	\$ 770,049
Mandated Cost Reimbursement	\$ 8,359
Lottery (Non Prop 20)	\$ 177,537
Other State	\$ 5,824
Total, State Funding	\$ 1,030,647

Unrestricted Local Funding Sources:

Rentals and Leases	\$ 59,622
Interests	\$ 33,997
All Other Local Revenue	\$ 33,284
Total, Other Local Revenue	\$ 126,917

Total, Unrestricted General Fund Revenues \$9,263,351

RESTRICTED FUNDING SOURCES

Revenue Limit Transfers In (Special Education)

A transfer of Revenue Limit funding is made from the unrestricted general fund into the Special Education program for students participating in a Special Day Class (SDC). The SDC ADA is included in the Revenue Limit calculation.

FEDERAL RESTRICTED FUNDING SOURCES

Special Education Entitlement

This funding supports the expenses of educating identified students with special needs. The district received \$100,939 in 2007-08 and is projecting to receive the same for 2008-09.

Title I

This funding, which is calculated based on the percentage of students who qualify for free and reduced lunch, provides supplemental services that are focused on improving student achievement. The district received \$23,484 in 2007-08.

Title II

This funding is for programs that support professional development, class-size reduction, and other teacher quality activities. The district received \$10,972 in 2007-08.

Safe and Drug Free Schools

This funding supports drug/alcohol, tobacco, and violence prevention programs and activities. The district received \$2,084 in 2007-08.

STATE RESTRICTED FUNDING SOURCES

Gifted and Talented Pupils (GATE)

This funding supports programs and opportunities for students in public school who are identified as gifted and talented. The district received a total of \$28,466 in 2007-08.

The School Based Coordination Program (SBCP) allows districts to combine all or some of the following resources into one program.

- School and Library Improvement Block Grant
- Economic Impact Aid
- Gifted and Talented Education
- Special Education

Once the funding is combined under SBCP the district is no longer required to follow the funding requirements of the original program. This flexibility allows school sites the ability to utilize the funds for more site-specific needs.

The district utilizes the flexibility provision and consolidates its GATE funds with the School Based Coordination Program (SBCP).

Home to School Transportation

The district receives transportation funding based on a formula of the approved prior year costs less any excess amounts received the previous year. It is adjusted annually for growth and cost-of-living increases. The district received \$40,616 in 2007-08. This program also received a general fund contribution in the amount of \$51,334 in 2007-08.

Economic Impact Aid (EIA)

This program provides funding for additional support and services to English learners and compensatory education services to educationally disadvantaged students. The district received \$51,362 in 2007-08 and is projecting to receive \$48,023 in 2008-09.

Lottery Fund – Proposition 20

Proposition 20 Lottery funding is projected to be \$19 per ADA in 2008-09. These revenues have restrictions on their use and are accounted for in the restricted general fund. The funds may only be used to purchase instructional materials. The district received \$27,527 in 2007-08 and is projecting to receive \$24,255 in 2008-09.

Arts and Music Block Grant

This funding supports arts and music instruction at all grade levels. The district may use this funding to hire additional staff, implement or increase staff development opportunities, and/or purchase supplies and materials for dance, music, theatre, and visual arts. The district received \$29,416 in 2007-08.

Supplemental Schools Counseling Program

This funding provides additional counseling services in grades 7 and 8. The district received \$16,035 in 2007-08.

Instructional Materials Realignment Program

This funding is provided for adopted standards-aligned instructional materials in the core curriculum areas of English/Language Arts, Mathematics, Science and History/Social Science for all students. The district received \$73,063 in 2007-08.

Professional Development Block Grants

This funding provides support for professional development programs focused on improvement of quality of the instructional program. The district received \$26,158 in 2007-08.

School and Library Improvement Block Grants (SLIBG)

The SLIBG combines funds from the School Library Materials and the School Improvement Program (SIP) into one block grant. The funds can be used for any purposes of either of the two programs, as determined by the school site council. The district received \$32,046 in 2007-08.

OTHER LOCAL REVENUES

Transfers of Apportionment/Special Education Transfers

Special Education funding is a pass-through from the County Office of Education to the district. In 2007-08 the district received \$314,980 in Special Education funding from the state and contributed \$361,522 to the Special Education program from the unrestricted general fund.

The principal revenues and other sources within the restricted general fund for 2007-08 include the following:

Restricted General Fund Revenue Sources 2007-2008 (Unaudited Actuals)

Revenue Limit Transfers In (Special Education)	\$ 151,217
Federal Revenues:	
Special Education Entitlement	\$ 100,939
Special Education Discretionary Grant	\$ 7,765
Interagency Contracts Between LEA	\$ 8,158
NCLB/IASA	\$ 45,153
Safe and Drug Free Schools	\$ 2,084
Other Federal	<u>\$ 404</u>
Total, Federal	\$ 164,503
State Revenue Funding Sources:	
Gifted and Talented Pupils	\$ 28,466
Home to School Transportation	\$ 40,616
Economic Impact Aid	\$ 51,362
Lottery (Prop 20)	\$ 27,527
Arts and Music Block Grant	\$ 29,416
Supplemental School Counseling Program	\$ 16,035
Instructional Materials	\$ 73,063
Drug/Alcohol/Tobacco Funds	\$ 362
Professional Development Block Grants	\$ 26,158
Targeted Instructional Improvement Block Grants	\$ 1,502
School and Library Improvement Block Grant	\$ 32,046
<u>All Other State</u>	<u>\$ 53,946</u>
Total, State Revenues	\$ 380,500
Other Transfers In:	
From County Offices	<u>\$ 314,980</u>
Total, Restricted General Fund Revenues	<u>\$ 1,011,200</u>

EXPENDITURES

Salary and Benefit Costs

In 2007-08 the district employed a total of 153.46 full time equivalent (FTE) employees paid from the general fund. Of which, 84.64 FTE were certificated positions, 9.38 FTE were classified confidential positions, 46.44 FTE were classified positions, 8.0 FTE were certificated management, 6.0 FTE were classified management and 1.0 FTE was the superintendent.

The district uses a teacher/student staffing ratio of 20.4:1 for K-3 (maximum of 22) and 32:1 for grades four through eight.

The 2008-09 LESD budget includes 13.54 FTE in additional positions, which are as follows:

Certificated - increased by a net of 6.60 FTE to 91.24 FTE. Teachers were added due to enrollment growth and 1.0 FTE psychologist position was moved to the management salary schedule.

Certificated Management – increased by a net of 2.0 FTE to 8.0 FTE. One psychologist position was added to the management salary schedule and 1.0 FTE interim-psychologist position has been added.

Confidential Classified – increased by a net of 2.62 FTE to 12.00 FTE. The receptionist position was increased to full time, a half time position was added and funding changes occurred on existing positions (from restricted to unrestricted).

Classified – increased by a net of 2.32 FTE to 48.76. The Director of Maintenance, Transportation and Operations position was eliminated and in exchange three supervisor positions (Supervisor of Maintenance, Supervisor of Transportation and Supervisor of Custodial) were added.

Unrestricted salaries including certificated, classified and management are projected to increase by \$339,587 or 6.13 percent. This increase includes step and/or column costs and additional staffing.

Health and welfare costs have increased by a total of \$100,725. The district's health and welfare benefits are capped at \$10,452 for certificated and at \$8,900 for classified employees. There is no cap for management. Annual costs range from \$14,158 to \$15,806 per FTE. The district offers health and welfare to part-time employees; the cap is prorated on the basis of hours worked. Currently, there is no minimum number of hours worked requirement.

Books and Supplies

The 2008-09 unrestricted budget for books and supplies decreased by \$18,961 from the 2007-08 actuals. In 2007-08, the district purchased textbooks totaling \$25,241 and non-capitalized equipment for \$16,111. The expenditures were considered to be one-time purchases and are subsequently not budgeted in the current year.

Services and Other Operating Expenditures

The 2008-09 unrestricted budget for services decreased by \$18,000 or 2.6 percent from the 2007-08 actuals. The district is projecting a \$15,000 decrease in the operations and housekeeping services budget. This budget includes costs for fuel, electricity and other operational expenses. Due to the many recent fluctuations in fuel and heating costs, the district may need to revisit these budgets and adjust if necessary.

The expenditures within the unrestricted general fund for 2007-08 include the following:

Unrestricted General Fund Expenditures 2007-08 (Unaudited Actuals)

Teacher Salaries	\$ 4,037,130
Certificated Pupil Support Salaries	\$ 24,028
Certificated Supervisors' & Administrative Salaries	\$ 614,721
Total, Certificated Salaries	\$ 4,675,879
Classified Instruction Salaries	\$ 206,040
Classified Support Salaries	\$ 220,349
Classified Supervisors' and Administrative Salaries	\$ 74,294
Clerical, Technical, Office & Other Salaries	\$ 365,308
Total, Classified Salaries	\$ 865,991
Employee Benefits	\$ 1,790,096
Books and Supplies	\$ 184,249
Services and Other Operating Expenditures	\$ 721,024
Payments to County Offices	\$ 17,081
Transfers of Indirect Costs	\$ (1,300)
Total, Unrestricted General Fund Expenditures	\$ 8,253,021

The expenditures within the restricted general fund for 2007-08 include the following:

Restricted General Fund Expenditures 2007-08 (Unaudited Actuals)

Teacher Salaries	\$ 342,614
Certificated Pupil Support Salaries	\$ 180,162
Certificated Supervisors' & Administrative Salaries	<u>\$ 86,969</u>
Total, Certificated Salaries	\$ 609,744
Classified Instruction Salaries	\$ 244,770
Classified Support Salaries	\$ 225,498
Clerical, Technical, Office & Other Salaries	<u>\$ 16,597</u>
Total, Classified Salaries	\$ 486,865
Employee Benefits	\$ 339,780
Books and Supplies	\$ 195,384
Services and Other Operating Expenditures	\$ 98,642
Payments to County Offices	\$ 64,037
All Other Transfers Out	\$ 1,805
Transfers of Indirect Costs	<u>\$ 1,300</u>
Total, Unrestricted General Fund Expenditures	\$ 1,797,577
Total, General Fund Expenditures	\$10,050,598

The chart below displays each type of expenditure as a percent of the unrestricted general fund, restricted general fund and combined general fund.

Expenditures	Unrestricted	Restricted	Combined
Teacher & Pupil Support Salaries	49.2%	29.1%	45.6%
Certificated Administrative Salaries	7.4%	4.8%	7.0%
Classified Salaries	9.6%	27.1%	12.7%
Classified Administrative Salaries	0.9%	0.0%	0.7%
Employee Benefits	21.7%	18.9%	21.2%
Books and Supplies	2.2%	10.9%	3.8%
Services and Other Operating Expenditures	8.7%	5.5%	8.2%
Payments to County Offices	0.2%	3.6%	0.8%
All Other Transfers Out	0.0%	0.1%	0.0%
Transfers of Indirect Costs	0.0%	0.1%	0.0%

CONTRIBUTIONS TO RESTRICTED PROGRAMS

The district contributed \$772,193 from unrestricted resources to restricted programs in 2007-08. Certain programs such as the Special Education and Home-to- School Transportation programs do not receive adequate funding for the delivery of these programs and a contribution is necessary.

Districts that receive funds under SB 50 for new construction or modernization are required to transfer an amount equal to three percent of their general fund expenditures (one half of one percent may be used as the matching requirement for Deferred Maintenance) into the Ongoing and Major Maintenance: Restricted Maintenance Account (RMA) (also know as Routine Repair and Maintenance account) for the purposes of ongoing and major maintenance. The district transferred \$260,000 into the RMA account in 2007-08, of which \$38,690 (one half of one percent) was then transferred to the Deferred Maintenance Fund in order to qualify for matching funds from the State.

The table below is a summary of contributions that were made from the unrestricted general fund in 2007-08. The district is projecting to contribute \$922,106 to restricted programs in 2008-09; which is an increase of \$149,913 or 19.4 percent. The increase is primarily due to rising costs within the Special Education program. The contribution to Special Education is projected to increase by \$143,000 from 2007-08.

Program	Amount
Special Education	\$361,522
Ongoing Major Maintenance:	
Restricted Maintenance Account (RMA)	\$260,000
Home to School Transportation	\$51,334
Professional Development Block Grant	\$50,914
Title I	\$21,936
School and Library Improvement Block Grant	\$16,518
Economic Impact Aid	\$6,722
PL 94-142	\$1,333
Title V	\$841
Instructional Materials and Education Tech	\$800
Title III	\$192
Special Education/Preschool	\$69
PL101-476	\$12
Total Contributions	\$772,192

ENDING FUND BALANCE

The Unrestricted General fund balance as of June 30, 2008 was \$1,077,861. The components of the ending fund balance are:

Revolving Cash	\$ 1,000
Reserve for Economic Uncertainties	\$ 302,679
Other Designations	<u>\$ 152,123</u>
Total Designations	\$ 455,802
Undesignated Amount	<u>\$ 622,059</u>
Total Unrestricted Ending Fund Balance	\$ 1,077,861

The Restricted General Fund balance as of June 30, 2008 was \$243,164 bringing the Combined General Fund balance as of June 30, 2008 to \$1,321,025.

The 2008-09 Budget shows a projected undesignated ending fund balance of \$534,447. The district budget as of the First Interim Reporting period (July 1–October 31) should provide an updated amount.

CHARTER SCHOOLS SPECIAL RESERVE FUND (Fund 09)

This fund is used to account for the activities of the Lammersville Charter School.

The principal revenues and other sources in this fund for 2007-08 are:

Revenue Limit Sources	\$ 2,663
Other State	\$ 110
Other Local Revenue	<u>\$ 5,830</u>
Total Revenues	\$ 8,603

The unaudited balance as of June 30, 2008 was \$98,540.

CAFETERIA FUND (Fund 13)

The Cafeteria Fund is used to account for federal, state, and local resources to operate the food service program.

The principal revenues in this fund for 2007-08 are:

Child Nutrition Program (Federal)	\$ 128,253
Child Nutrition Program (State)	\$ 10,409
Food Service Sales	\$ 274,800
Interest	\$ 2,160
Interagency Services	<u>\$ 11,583</u>
Total, Revenues	\$ 427,201

In 2007-08 the Cafeteria program experienced deficit-spending of \$7,785. The district is projecting that revenues will exceed expenditures by \$12,173 in the current year. The fund balance as of June 30, 2008 was \$65,464, which includes a stores balance of \$5,906.

Currently the district is not charging the Cafeteria program for indirect costs. Indirect costs are general management costs. General management costs consist of administrative activities necessary for the general operations of the district, such as accounting, budgeting, payroll preparation, personnel services, and purchasing and are routinely charged to programs such as the Cafeteria program.

This year the district's indirect cost rate for Cafeteria Fund is 4.64%. If the district were to charge the Cafeteria program for indirect costs, the general fund would recover \$19,288.

In order for the Cafeteria program to pay its full share for indirect costs without deficit spending, it would require either a reduction of operational costs and/or an increase in revenues. The district should review current staffing levels and operational costs to identify program efficiencies. Another factor to be considered is meal pricing. Currently, the district is charging \$2.50 per meal and additional revenues may be raised through an increase in the per meal cost. A program review may assist the district in reducing operational costs and generate general fund revenues through and indirect cost transfer.

In 2008-09, 12.3 percent of the students qualify for free lunch and 7.7 percent qualify for reduced lunch under the National School Lunch Program. The district is reimbursed the following rates: \$2.57 per free lunch, \$2.17 for reduced and \$0.24 for paid.

The table below provides the breakdown of Cafeteria Program expenditures for 2007-08.

<u>Expenditure</u>	<u>Cost</u>	<u>Percent</u>
Salaries and Benefits	\$192,265	44%
Supplies	\$35,787	8%
Food	\$197,748	45%
<u>Services & Operating Expenses</u>	<u>\$9,185</u>	<u>2%</u>
Total	\$434,985	100%

DEFERRED MAINTENANCE FUND (Fund 14)

This fund is used to account for State apportionments and the districts contributions for deferred maintenance purposes

The principal revenues and sources in this fund for 2007-08 are:

Deferred Maintenance Allowance (State Match)	\$ 30,414
Interest	\$ 7,922
Interfund Transfers (District Match)	<u>\$ 38,690</u>
Total Revenues	\$ 77,026

This fund may only be expended for the following purposes:

- Major repair or replacement of plumbing, heating, air-conditioning, electrical, roofing and floor systems;
- Exterior and interior painting of school buildings;
- Inspection, sampling, and analysis of building materials;
- Encapsulation or removal of asbestos-containing materials;
- Inspection, identification, sampling, analysis of building materials to determine the presence of lead-containing materials; and
- Any other items of maintenance approved by the State Allocation Board.

The district expended a total of \$51,155 in 2007-08. The fund balance as of June 30, 2008 was \$194,031.

CAPITAL FACILITIES FUND (Fund 25)

This fund is also commonly referred to as the Developer Fee Fund.

This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development. Interest earned in this fund is restricted to that fund.

The principal revenues and other sources in this fund for 2007-08 are:

Mitigation/Developer Fees	\$ 21,472
Interest	\$ 2,547
Other Local	<u>\$ 250</u>
Total Revenues	\$ 24,469

Allowable expenditures under the Capital Facilities Fund may include COP payments, modernization or new construction costs, portable lease payments, and up to three percent of the revenues collected may be used for operational costs for the collection of fees. Operational costs of the facilities programs as described above may be paid out of the Capital Facilities Fund. Routine and Deferred Maintenance projects and costs may not be paid for from this fund.

In 2007-08, the district expended a total of \$58,198 from this fund. The expenditures included a Unification Study, Developer Fee Justification Study, preparation of OPSC Funding Forms (consultant services) and legislative services for the collection of state aid funds.

The unaudited balance as of June 30, 2008 was \$21,614.

COUNTY SCHOOLS FACILITIES FUNDS (Fund 35)

This fund is used to account for moneys received from apportionments from State School Facilities Fund (Proposition 1A, 47 and 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy Greene School Facilities Act of 1998.

The principal revenues and other sources in this fund for 2007-08 are:

School Facilities Apportionments	\$ - 0 -
Interest	<u>\$31,941</u>
Total Revenues	\$31,941

In 2007-08 the district expended a total of \$407,210 from this fund. The expenditures included architectural fees, testing fees, legal fees and facilities program salaries.

The unaudited balance as of June 30, 2008 was \$737,220.

SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS (Fund 40)

This fund exists primarily to account for general fund moneys that have been transferred into the fund for capital outlay purposes. This fund may also be used to account for any other revenues and proceeds specifically related to capital improvement projects that are not restricted to funds 21, 30, 35 or 49.

The principle revenues and other sources in this fund for 2007-08 are:

Local Revenues	\$54,596*
Interest	<u>\$ 2,087</u>
Total Revenues	\$56,683

* Donation from an architectural firm

No expenditures were incurred during 2007-08.

The unaudited balance as of June 30, 2008 was \$83,724.

CAPITAL PROJECT FUND FOR BLENDED COMPONENTS UNITS (Fund 49)

This fund is also referred to as the Bond Fund or Mello-Roos Fund.

This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts. The Mello-Roos Community Facilities Act of 1982 allows school districts (cities, counties, special districts or joint powers) to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

The principal revenues and other sources in this fund for 2007-08 include the following:

Proceeds from Bond Sales	\$ - 0 -
Interest	\$ 273,607
Other Local	\$ 51,213
Other Authorized Transfers In	<u>\$ (1,480)</u>
Total Revenue/Sources	\$ 323,339

Background Information

On September 12, 2002, the District, through the Community Facilities District, issued Special Tax Bonds in the amount of \$25,000,000 for the purpose of financing, land acquisition and construction of Wicklund Elementary School.

On August 4, 2006, the District issued bonds in the amount of \$25,000,000 for the purpose of financing acquisition and construction of Bethany Elementary School.

Bond proceeds from the 2002 and 2006 issuance were deposited into in the Bank of New York. A portion of the funds are invested in the Local Area Investment Group (LAIF) for the purpose of earning higher interest earnings. Expenditures are paid by the Bank of New York upon the approval of the superintendent.

The unaudited balance as of June 30, 2007 was \$5,558,290. The balance in the fund includes the required security reserve amount of \$4,875,987. The security reserve will be used to pay off the last principal payment; the reserve may not be used for any other purpose.

Reserve Requirements	
2002 Series	\$2,500,000
<u>2006 Series</u>	<u>\$2,375,987</u>
Total Reserve	\$4,875,987

According to the districts bond financing consulting group, Goodwin Consulting, for 2008-09, the amount that will be collected from developed property is approximately \$885,000. These funds may be used for planning, design, or construction.

Goodwin Consulting also reported that the district will likely be able to generate approximately \$10 million in net bond proceeds through the sale of bonds secured by developed property and possibly an additional \$5 million in net proceeds from undeveloped property. However, Total School Solutions cannot verify the accuracy of this information.

DEBT SERVICE FUND (Fund 52)

This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts.

The principal revenues and expenditures in this fund for 2007-08 include the following:

Revenues:

Secured Roll	\$ 3,815,832
Interest	<u>\$ 183,122</u>
Total Revenue	\$ 3,998,954

Expenditures:

Bond Interest and Other Service Charges	\$ 9,321
Debt Service – Interest	\$ 2,816,955
Debt Service – Principal	<u>\$ 75,000</u>
Total Expenditures	\$ 2,901,276

The unaudited balance as of June 30, 2008 was \$5,716,853.

RETIREES BENEFIT FUND (Fund 71)

This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

The principal revenues in this fund for 2007-08 include the following:

Interest	\$ 8,683
Other Local (contributions)	<u>\$ 117,547</u>
Total Revenues	\$ 126,230

The retiree benefits paid during 2007-08 totaled \$23,021.

The district provides retiree benefits to certificated teachers and management. The amount paid for retiree benefits is based on individual's years of service and age at retirement. Benefits are paid through the age of 65 or on negotiated terms for management only. The district is currently paying post employment benefits for six retirees.

The district transfers \$112.58 per FTE each month into the Retiree Benefit fund. The district plans to have an actuarial study performed sometime during 2008-09.

The ending balance as of June 30, 2008 was \$309,552.

RECOMMENDATIONS FOR MAXIMIZING REVENUES AND RESOURCES

A number of recommendations have been developed and are presented below for the consideration of the LESD board and administration.

- Examine current personnel allocations and staffing ratios since it appears the current staffing levels are below the negotiated ratios and some savings could be realized.
- Review each program receiving a contribution from the unrestricted general fund, including the staffing level in each program.
- Review the certificated and classified staffing allocations within the Special Education Program in order to verify the program is appropriately staffed. Documentation provided by the district indicates a large number of staff dedicated to the program are serving a relatively small number of students.
- Consider negotiating language that specifies the minimum number of hours worked for part-time employees to twenty hours per week in order to qualify for benefits. Currently there is not a “minimum number of hours worked” provision in the certificated or classified contracts. Therefore, all employees currently qualify for prorated benefits, regardless of the number of hours worked.
- Examine the operational costs and staffing levels within the Cafeteria program since the program experienced deficit spending in 2007-08 and is projected to deficit spend in 2008-09.
- Examine the amount charged for meals in the school lunch program, conduct a pricing comparison with other districts and consider increasing the school lunch cost.
- Consider charging the Cafeteria program for indirect costs.
- Conduct an evaluation of all existing programs; determine which are most effective or least effective. Realign resources to programs which are found to be the most effective.
- Consider implementing a school wide attendance incentive program. The district could generate approximately \$90,000 by increasing its average daily attendance from 96 percent to 97 percent.