




**Division of Fiscal Services**  
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## MEMORANDUM

**DATE:** June 26, 2015

**TO:** Dr. Karen Janney, Superintendent

**FROM:** Karen Michel   
Chief Financial Officer

**RE:** SUPERINTENDENT'S UPDATE – Status Update on CFD Distribution of Expenditures

The purpose of this memorandum is to provide you with CFD Distribution of Expenditures.

### **Status Update on CFD Distribution of Expenditures**

On October 2, 2014, the Board of Trustees awarded Contract No. 45-2449-LB for community facilities district's (CFD) revenue and expenditure review, to David Taussig & Associates (DTA).

Beginning November 1, 2014, Finance staff along with the District's Special District Consultant worked with DTA to provide all necessary and requested information for the 27 year review.

On February 7, 2015, DTA presented their report and recommendations during a Board Workshop.

On February 23, 2015, the Board of Trustees accepted the David Taussig & Associates report entitled "Final CFD Revenue and Expenditure Review," and directed staff to implement the report's recommendations.

STATUS: As of June 25, 2015, the Facilities Finance Team has reviewed every revenue and expenditure transaction from July 1985 to June 1996. Quantified, that is a total of 1052 revenue transactions and 727 expenditure transaction, totaling 1,779 transactions. Each transaction was matched to archived supporting documentation and verified that it was recorded correctly. The Facilities Finance Team summarized the transactions by preparing an Income Statement and Balance Sheet report for each fiscal year and each individual CFD. The report includes an "Adjustments Needed" section, where re-distribution of expenditures and revenue corrections are made. In addition, the Facilities Finance Team has scanned the documentation reviewed for future reference.

**DTA Recommendations:**

- 1- School District reimburse CFD No. 1 for the non-CFD expense it incurred, and, as the School District reviews expenditures in detail to implement the Cost Allocation Plan, to reimburse the applicable CFDs for any other non-CFD expenses incurred. It is DTA's understanding that the School District already has purchasing policies and procedures in place to properly account for expenditures; therefore, DTA recommends adherence to such policies and procedures in the future.

STATUS: No transaction were noted as non-CFD expenses within the first 11 Fiscal Years.

- 2- Based on review of the fiscal year 2013-2014 special tax rates applied to each parcel, DTA believes that the special tax rates were accurately applied to the vast majority of parcels. DTA recommends that SDFA, upon reviewing and researching the parcel data for the eight (8) parcels with levy discrepancies, work with the School District to make necessary corrections for fiscal year 2015-2016 and future years.

STATUS: The Facilities Finance Team requested that the District's Special District Consultant (SDFA) review and correct the eight parcels with levy discrepancies.

- 3- DTA recommends explicitly adding CFD formation costs and debt obligations to the Cost Allocation Plan, so that such items can be properly allocated. Finally, DTA recommends that the School District implement the Cost Allocation Plan, with said additions, as soon as practicable, and adopt policies and procedures to properly implement the plan.

STATUS: The Facilities Finance Team has worked with the District's Special District Consultant to add formation and debt obligation expenditures to the CFD Cost Allocation Plan. The District has discussed re-distribution of expenditures with the external audit firm who agree the Cost Allocation Plan methodology is reasonable and equitable. The CFO plans to recommend the District implement an annual compliance audit of the CFD's (similar to the Prop O audit performed now).

Please let me know if you have any questions.

KM:cz