

Quarterly Reporting of Delton Kellogg Schools

per Public Act 109 of 2015

Reporting Period: **July 1, 2016 - September 30, 2016**

Under Public Act 109 of 2015, a district in the administrative review process must submit periodic financial reports to the Department of Treasury each quarter. The purpose of the quarterly report is to update the Department of Treasury on the Districts progress in implementing and/or studying the recommendation(s) presented in the administrative review.

The recommendation to the District was to “**Restore the fund balance to a level equal to or greater than 5% of revenue (as defined by the Department of Treasury) by the end of the 2017-18 school year**”. Below are the six suggestions presented to the District to achieve the recommendation along with the progress on each suggestion.

Suggestions:

1. **Instructional aides:** employment data reflects the District has 16.20 instructional aides versus the peer average of 10.10. A thorough review should be conducted to determine if some of the instructional aide positions could be reduced to bring the District in-line with the peer average.
Status update: 3 current paraprofessional positions that became vacant were reviewed and replaced in September, only after the initial pupil enrollment reflected an increase in student population and determined a need. All three of those paraprofessionals are providing services for special education students. A reduction of work times has been made across the board for the paraprofessionals.
2. **Special education:** data reflects the District spends \$1,010 per pupil on special education while the peer average is \$621 per pupil, a difference of \$389 or 38.5%. In addition, from 2010-11 to 2014-15 special education classroom costs rose 7.36% while the number of special education FTE rose only 1.20%. It is noted that special education costs can be difficult to trend as just one new student can substantially impact costs; however, the data reflects the District continually spends more than the peer average on special education services. A thorough review of special education services, staffing, and costs should be conducted to bring the District in-line with the peer group. The cost savings of the District spending equally to the peer group is around \$500,000 per year.

Status update: The district is supported by a small ISD with limited special educational services and is therefore required to spend more on the needed special education costs. Staffing and costs are reviewed every year.

3. **Athletics:** data reflects the cost of athletics from 2010-11 to 2014-15 increased 6.37% while the District's student count declined 13.86%. During the same period athletic admission revenue declined 21.5% (\$37,365 to \$29,343). When comparing against the peer group the District spends nearly 10% more on athletics. The cost savings of the District spending equally to the peer group is around \$37,000. A thorough review of athletic offerings, costs, and staffing should be conducted to bring the District in-line with the peer group.

Status update: Some Middle School A and B teams have been combined. Promotion for "home" activities has increased resulting in larger "gates." The Athletic Director is supervising an advertising program for local businesses at athletic events that will result in additional revenue.

4. **Pupil accounting:** it is noted that the District has had issues with accurate student counts in the past, thus the need for vigilance in this area; however, the District spends over four times more than the peer districts in pupil accounting (\$39,380 vs \$8,479). A thorough review of pupil accounting should be conducted to ensure proper accounting practices are adhered to while at the same time bringing the cost closer to that of the peer districts.

Status update: The person responsible for the pupil accounting function has many more responsibilities in other areas, so only a portion of her salary figure will be charged to pupil accounting for the 2016-17 school year. Those additional responsibilities will be charged to the appropriate function for the 2016-17 school year.

5. **State aid payback:** the District is working with the Department of Education on the payback of state aid dollars. The District believes the amount owed is \$337,000 although no formal communication has been received from MDE on the exact amount or the timing of repayment. Once formal communication is received any money set aside in excess of the amount owed should be placed in fund balance.

Status update: The Department of Treasury has approved a five- year pay back plan, and the money for those payments is reserved.

6. **Food service program:** over the past few years the District has reduced the indirect percentage charged to the food service program from the general fund because the food service program has run a deficit. The transfer has dropped from \$66,425 in 2011-

12 to \$18,000 in 2014-15. The District should consider reinstating the maximum indirect cost rate allowed and thoroughly review the food service program operations to improve its financial performance.

Status update:

For the 2015-16 school year the district was able to increase the indirect cost to \$27,000 and still have a food service program with a balanced budget. Indirect cost was projected to be \$15,000 for the 2015-16 school year.

Date: 9-27-2016

Submitted by: Sheryl Downer Director of Finance