



# Monterey County Office of Education

Dr. Nancy Kotowski  
County Superintendent of Schools

Received

FEB 11 2015

NMCUSD Business Office

January 30, 2015

Kari Yeater, Superintendent  
North Monterey County Unified School District  
8142 Moss Landing Rd  
Moss Landing, CA 95039

RE: Review of First Interim Report

Dear Superintendent Yeater:

Thank you for the submission of your Fiscal Year 2014-15 First Interim Report. *Education Code* 42131 requires that as part of the interim review process the County Superintendent of Schools reviews and analyzes district interim reports in accordance with State Board-approved Criteria and Standards pursuant to *Education Code* 33127. Based upon this review, the County Superintendent may either accept or change the district certification to qualified or negative as appropriate.

## I. CERTIFICATION

Based upon the review of the district financial information, we concur with the district's positive certification.

## II. BUDGET SUMMARY – GENERAL FUND

A.	Total Revenues (Form 01, Line A5 plus Line D1a plus Line D2a)	\$ 44,701,586.00
B.	Total Expenditures (Form 01, Line B9 plus Line D1b plus Line D2b)	\$ 45,446,027.00
C.	Net Decrease in Fund Balance (Form 01, Line E)	(\$ 744,441.00)
D.	Total Available Unrestricted Reserves (Form 01, Col. D, Accounts 9789 and 9790)	\$ 1,543,370.00
E.	Available Unrestricted Reserves expressed as a percent of Total Expenditures (Line D divided by Line B)	3.40%

State criteria for reserves for your district is 3%.

### **III. COMMENTS/RECOMMENDATIONS**

1. The evaluation of your district's first interim report is based upon an unaudited unrestricted beginning balance of \$3,703,897.39.
2. The district's calculation of the unrestricted total LCFF Sources is \$35,057,527.00.
3. The school district's LCFF ADA of 4,232.94 is 81.63 higher than last year's P2 ADA; this figure does not include the county supplement.
4. 87.5% of unrestricted General Fund expenditures are allocated to unrestricted salaries and benefits.
5. The multiyear projections provided in the first interim report indicate that the district will be able to meet its expenditure and reserve requirements in the current year and the subsequent two years.
6. The district is projecting unrestricted deficit spending in the amount of (\$960,142.00) in 2015-16.
7. The district is projecting unrestricted deficit spending in the amount of (\$1,308,113.00) in 2016-17.
8. Although deficit spending in itself may not be an indication of district fiscal distress, it has been identified by the Fiscal Crisis and Management Assistance Team (FCMAT) as one of the key fiscal health risk indicators and the district should evaluate future expenditure projections in an effort to eliminate on-going deficit spending.
9. Items solely of a technical nature have been forwarded directly to the district's chief business official.

### **IV. GENERAL INFORMATION**

Given the good news regarding increased state revenues for this year, as reported by the Department of Finance, as well as the "especially favorable" outlook for Proposition 98, according to the Legislative Analyst's Office, we anticipate Governor Brown will continue to use this as an opportunity to make education funding a high priority for 2015-16.

With SB 858 now in place there are new requirements for additional disclosures of reserves that will take effect for the 2015-16 budget. Districts should prepare to follow the procedures outlined in SB 858, essentially requiring identification of the amount of any assigned and unassigned ending fund balance that is above the minimum reserve for economic uncertainties recommended by the state, along with a statement of reasons for the reserve level.

Reserves and fiscal flexibility are necessary to protect the integrity of the educational program in an unpredictable operating environment. Achieving this level of flexibility will require districts to build trust among constituents through clear, ongoing, and transparent communications regarding the general uncertainty and the unique situational challenges facing their districts. It is also important that districts continue to use their own judgment regarding an adequate level of reserves.

We will keep you abreast of the efforts to repeal the reserve limitation provision of SB 858. We think that the potential damage this limitation would impose upon employees, particularly classified employees, and programs for students is immense and that the negative impact will become more widely recognized.

The recommendations and comments that appear in this document are based upon an in-depth review of the District's interim documents, and an analysis of the District budget as measured by State-adopted Criteria and Standards. We hope that the review and analysis prove to be useful to the District Board and Administration. We want to thank Danica Salazar for the timely submission of the First Interim Report. If you have any questions, please do not hesitate to contact me at (831) 755-0308.

Sincerely,

Garry P. Bousum  
Associate Superintendent  
Finance and Business Services Division



Colleen Stanley  
Executive Director of Finance

cc: Dr. Nancy Kotowski, Monterey County Superintendent of Schools  
Karen Hennessy, Director of District Advisory and Financial Services  
Liann Reyes, Assistant Superintendent of Business, NMCUSD  
Danica Salazar, Director of Fiscal Services, NMCUSD  
Marvalee English, MCOE Financial Analyst