



Monterey County Office of Education

Dr. Nancy Kotowski
County Superintendent of Schools

February 13, 2014

Gary S. De Amaral, Board President
Kari Yeater, Superintendent
North Monterey County Unified School District
8142 Moss Landing Rd
Moss Landing, CA 95039

RE: Review of First Interim Report

Dear President De Amaral and Superintendent Yeater:

Thank you for the submission of your Fiscal Year 2013-14 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)	\$ 39,750,969.00
B.	Total Expenditures (Form 01, Line B9 plus Line D1b plus Line D2b)	\$ 40,824,849.00
C.	Net Decrease in Fund Balance (Form 01, Line E)	(\$ 1,073,880.00)
D.	Total Available Unrestricted Reserves (Form 01, Col. D, Accounts 9789 and 9790)	\$ 1,537,573.00
E.	Available Unrestricted Reserves expressed as a percent of Total Expenditures (Line D divided by Line B)	3.77%

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 \$4,024,171.
2. The district's calculation of the unrestricted total LCFF/revenue limit sources is \$30,553,198.00. The 2013-14 revenue limit funding is now based upon a 1.565% COLA.
3. The school district's ADA of 4,184.75 is 141.8 higher than last year's P2 ADA; this figure does not include the county supplement.
4. 87.1% 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 (\$893,180.00) in 2014-15.
7. We note that the district has not settled the 2013-14 negotiations with the Certificated and Classified bargaining unit(s). Further, the Criteria and Standards specify that upon settlement, the district must provide the Monterey County Office of Education with a salary settlement notification that includes an analysis of the cost of the settlement and its impact on the operating budget. The governing board must certify to the validity of the cost analysis. The public disclosure documents prepared in compliance with *Government Code* Section 3547.5, as amended by AB 2756, Chapter 52, can be submitted in lieu of the cost analysis.

The public disclosure documents must have the signature of the district Superintendent and the district Chief Business Officer certifying the district is able to meet the cost of the collective bargaining agreement. The public disclosure documents must also be signed by the district Superintendent or designee at the time of the public disclosure and by the President or Clerk of the Governing Board at the time of the formal board action on the bargaining agreement.

8. Items solely of a technical nature have been forwarded directly to the district's chief business official.

V. GENERAL INFORMATION

Beginning with the 2008-09 school year, there have been unprecedented funding reductions to California's public schools. With 2013-14, schools are experiencing funding increases for the first time in many years, but this is coupled with new challenges in the form of the Local Control Funding Formula and the corresponding Local Control Accountability Plan. We encourage school districts to maintain best fiscal practices and be proactive in preserving fiscal solvency.

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 Criteria and Standards adopted by the State Board of Education. We hope that the review and analysis prove to be useful to the district board and administration. We want to thank you 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, NMCUSD
Marvalee English, MCOE Financial Analyst