



# Monterey County Office of Education

Dr. Nancy Kotowski  
County Superintendent of Schools

April 24, 2014

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

Received

MAY 20 2014

NMCUSD Business Office

RE: Review of Second Interim Report

Dear President De Amaral and Superintendent Yeater:

Thank you for the submission of your Fiscal Year 2013-14 Second 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)	\$ 39,695,756.00
B.	Total Expenditures (Form 01, Line B9 plus Line D1b plus Line D2b)	\$ 41,892,238.00
C.	Net Decrease in Fund Balance (Form 01, Line E)	(\$ 2,196,482.00)
D.	Total Available Unrestricted Reserves (Form 01, Col. D, Accounts 9789 and 9790)	\$ 1,961,108.00
E.	Available Unrestricted Reserves expressed as a percent of Total Expenditures (Line D divided by Line B)	4.68%

State Reserves Criteria for your district is 3%.

### III. COMMENTS/RECOMMENDATIONS

1. The evaluation of your District's Second Interim report is based upon an unaudited unrestricted beginning balance of \$4,024,167.59.
2. The District's calculation of the unrestricted total LCFF/revenue limit sources is \$30,373,952.00. The 2013-14 revenue limit funding is now based upon a 1.565% COLA.
3. The school District's revenue limit ADA of 4,134.75 is 91.80 higher than last year's P2 ADA; this figure does not include the county supplement.
4. 88.5% of unrestricted General Fund expenditures are allocated to unrestricted salaries and benefits.
5. The multiyear projections provided in the Second Interim report indicate that the District **will** be able to meet its expenditure and reserve requirements in the current year and both out years.
6. We note that the District has not settled the 2013-14 negotiations with the Certificated and Classified bargaining unit(s). To the extent that the collective bargaining agreements result in additional ongoing costs, we recommend that the District make additional reductions in expenditures. 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 Official 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.

7. Items solely of a technical nature have been forwarded directly to the District's Chief Business Official.

#### IV. GENERAL INFORMATION

Funding is slowly being restored to pre-recession levels, but Districts cannot simply return to pre-recession practices and programs if the promise of the LCFF is to be realized. For decades Districts have been asking for more flexibility to let local communities decide how to use education funding. Now that this request has been granted, it is imperative that the education community demonstrates that local control produces better educational outcomes for all students.

While the most recent report from the DOF indicates that current year revenues are exceeding the latest forecast, predicting and budgeting revenues two and three years from now is a highly risky proposition. Many things can change over a 24-month or 36-month period. It is critical that Districts understand the distinction between revenue forecasts and anticipated budget action at the state level. Remember, a forecast is not a commitment to fund.

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 Liann Reyes for the timely submission of the Second Interim Report. If you have any questions, please do not hesitate to contact me at (831) 755-0308.

We thank you in advance for the effort being put into the development of the 2014-15 budget and accompanying Local Control Accountability Plan (LCAP). The County Office support role is evolving and expanding with the implementation of the LCAP requirements, which adds an educational review component to complement the current AB 1200 fiscal review. We will continue to work with your District in our mutual goal of implementing the LCFF and LCAP.

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