

The documents included in this file were provided, as is, to the California Department of Education (CDE) by the following county offices of education:

- **Fresno County Superintendent of Schools on behalf of Alvina Elementary**
- **Fresno County Superintendent of Schools on behalf of Kingsburg Elementary Charter**
- **Kings County Office of Education on behalf of Island Union Elementary**
- **Kings County Office of Education on behalf of Kings River-Hardwick Union Elementary**
- **Kings County Office of Education on behalf of Pioneer Union Elementary**
- **Placer County Office of Education on behalf of Ackerman Charter**
- **Stanislaus County Superintendent of Schools on behalf of Hickman Community Charter**

This document is posted to the CDE website to meet the legal requirements of California *Education Code* Section 33009.5.

For more information regarding the content of this material, please contact the Charter Schools Division by phone at 916-322-6029 or by email at [charters@cde.ca.gov](mailto:charters@cde.ca.gov).

July 21, 2021

Ms. Lara Walker-Main  
Board President  
Alvina Elementary School District  
295 W. Saginaw  
Caruthers, CA 93609

Subject: 2020-21 Second Interim Report Certification

Dear Ms. Walker-Main:

The Fresno County Superintendent of Schools' (County Superintendent's) District Financial Services Department has reviewed the Alvina Elementary School District's (District's) 2020-21 *Second Interim Report* in accordance with State Criteria and Standards and has reported its findings to the County Superintendent. Based upon this review, the County Superintendent has concurred with the District's **POSITIVE CERTIFICATION**<sup>1</sup> and has reported his findings to the California Department of Education and the State Controller's Office. A "Positive Certification" indicates that, based on current projections, the District "will meet its financial obligations for the current fiscal year and subsequent two fiscal years" (Education Code Section [ECS] 42131(a)(1)). The County Superintendent's concurrence with the District's Positive Certification is based on the information available at the time the District certified its Second Interim Report and may not be indicative of the District's current fiscal position.

Additional information regarding 2021-22 Budgets, Local Control and Accountability Plans, cash management, non-voter-approved debt, and collective bargaining is provided below.

**I. 2021-22 BUDGETS – REMINDER REGARDING DISCLOSURE REQUIREMENTS AT BUDGET PUBLIC HEARING**

Senate Bill 858 (June 2014) included language that affects annual disclosure of district reserves greater than the minimum standard and also requires caps on reserves the year after the state makes a deposit into the state school reserve established by Proposition 2. Senate Bill 751 (October 2017) amended the law to activate the reserve cap in the fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total of General Fund revenues. While it may be some time before the reserve cap portion of the law is triggered, the requirement to disclose information regarding reserves greater than the minimum standard is applicable for the 2021-22 budget adoption hearings. Education Code section 42127(a)(2)(B) states that:

<sup>1</sup> A "Positive" certification indicates that a district will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A "Qualified" certification indicates that a district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A "Negative" certification will be assigned to any district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year (ECS 42131(a)(1)).

*Commencing with budgets adopted for the 2015–16 fiscal year, the governing board of a school district that proposes to adopt a budget, or revise a budget pursuant to subdivision (e), that includes a combined assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties adopted by the state board pursuant to subdivision (a) of Section 33128, shall, **at the public hearing held** pursuant to paragraph (1), provide all of the following for public review and discussion:*

*(i) The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

*(ii) The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

*(iii) A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties for each fiscal year that the school district identifies an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties, as identified pursuant to clause (ii).*

We have posted a “Sample Template for Statement of Reasons for Excess Reserves” form on our website (<http://dfs.fcoe.org/resources>) **for your use in making the necessary disclosures at your budget adoption public hearing**, if applicable. Please contact your District Financial Services Supervisor at (559) 265-3021 if you have any questions about these new disclosure requirements.

We will provide additional information related to 2021-22 Budget development once the Governor’s May Revision becomes available in mid-May.

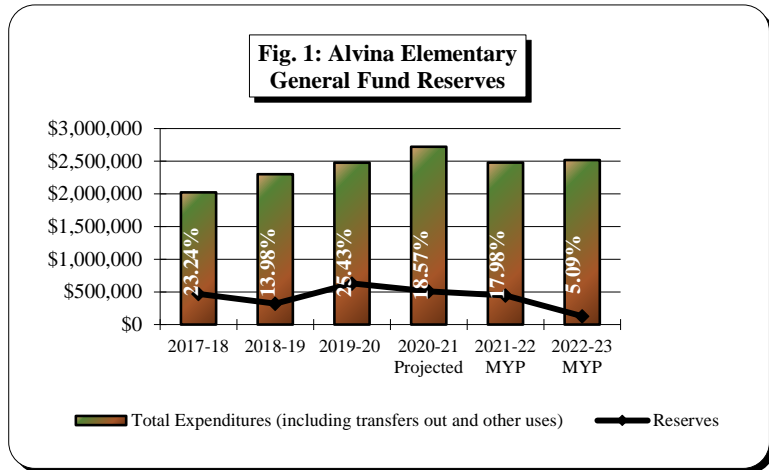
## **II. 2021-22 LOCAL CONTROL AND ACCOUNTABILITY PLANS**

School district budgets have always reflected a district’s goals and priorities, but implementation of the Local Control Funding Formula (LCFF) formalized the alignment of a spending plan and resources to support that plan through development of Local Control and Accountability Plans (LCAPs). As you work on your 2021-22 LCAP, we encourage you to review the County Superintendent’s LCAP website (<http://lcap.fcoe.org/>), the current “Common Message” (<http://dfs.fcoe.org/resources>), and CDE’s LCAP page (<http://www.cde.ca.gov/re/lc/>) as needed for support. You may also contact Marvin Baker, Director of LCAP & Compliance, at (559) 265-4045 or [mbaker@fcoe.org](mailto:mbaker@fcoe.org).

**III. ALVINA ELEMENTARY CHARTER SCHOOL DISTRICT’S FISCAL POSITION AS OF JANUARY 31, 2021**

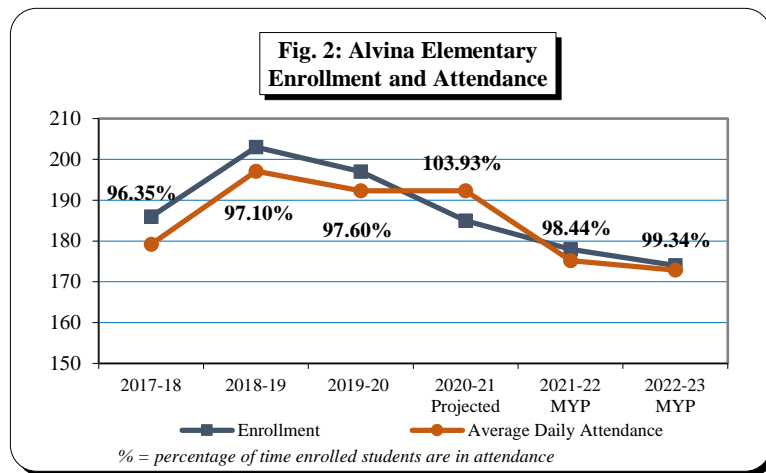
**A. Reserves**

The District certified its Second Interim Report as “Positive”, based on its anticipated ability to meet its financial obligations and the minimum 3% Reserve for Economic Uncertainties (Reserve) standard in the current and subsequent two years. As shown on the General Fund Reserves graph (Fig. 1), the District’s reserve levels are projected to be 18.57% (June 30, 2021), 17.98% (June 30, 2022) and 5.09% (June 30, 2023). ADA has declined as of 2019-20 P-2 and district is projecting continued declines in subsequent years.



**B. Enrollment and ADA**

School district funding is driven primarily by its enrollment and corresponding Average Daily Attendance (ADA). As shown on the Enrollment and Attendance graph, (Fig. 2) the District’s enrollment has been declining for the last several years.



Education Code Section (EC §) 43502(b) requires the California Department of Education to use actual attendance reported at the 2019–20 P-2 and P-Annual reporting periods as the basis for funding in 2020–21, and this includes all programs funded on an ADA-basis such as the Mandate Block Grant and Lottery. 2020–21 attendance is not reported to the state so ADA protection extends to 2021–22. Districts that are experiencing ongoing declining enrollment will have to address the cumulative impact

of two or more years of decline in 2022–23. Despite the ADA hold harmless, we recommend the district take the necessary steps to align staffing and expenditures to the number of students being served during the 2021–22 fiscal year.

#### **IV. CASH MANAGEMENT**

Cash management is a critical component of financial planning in a school district. Since implementation of the LCFF, cash flow has become more favorable for school districts. However, districts with healthy fund balances and reserves may experience periodic operating cash shortages. The District should monitor its cash flow continually and plan for short-term interfund or other borrowing options if necessary, to meet operational needs. The District should also ensure that any temporary interfund loans are repaid in accordance with ECS 42603.

#### **V. NON-VOTER APPROVED DEBT**

Pursuant to ECS 17150.1, school districts must disclose information related to non-voter approved debt when that debt is secured by real property. The disclosure must be made to the County Superintendent and the County Auditor at least 30 days prior to Board approval of the debt.

The County Superintendent has prepared a “Disclosure of Non-Voter Approved Debt” form to assist you in meeting the disclosure requirements. The “Disclosure” form, as well as an Excel workbook prepared by the Fiscal Crisis & Management Assistance Team (FCMAT), have been posted here: <http://dfs.fcoe.org/resources>. If your District plans to issue non-voter approved debt (including Bond-Anticipation Notes or “BANs”), please submit the County Superintendent’s disclosure form to this Office and to the County Auditor. (The FCMAT worksheet may be helpful to you, but is optional.)

#### **VI. COLLECTIVE BARGAINING**

Government Code Section [GCS] 3547.5 requires public disclosure of fiscal information related to a collective bargaining agreement, **before a district enters into the agreement**. This disclosure includes, but is not limited to, the costs that would be incurred by the district under the agreement for the current and subsequent fiscal years. This requirement applies whether a district is negotiating for salary and benefit increases or concessions.

GCS 3547.5 also requires the district superintendent and the chief business officer to certify that the costs incurred by the district can be met during the complete term of the agreement. The certification must include any budget revisions necessary to meet the cost of the agreement in each year of its term. The code further specifies that if the budget revisions are not made, the County Superintendent is required to declare the district as qualified or negative at the next interim reporting period.

Per ECS 42142, within 45 days of adopting a collective bargaining agreement, the superintendent of the school district shall forward to the county superintendent of schools any revisions to the district’s current year budget that are necessary to fulfill the terms of that agreement. Any additional costs that may result from the agreement must also be reflected in the district’s interim fiscal reports and multiyear fiscal projections.

If you have settled with your bargaining units since the Second Interim reporting period, please submit the Disclosure of Collective Bargaining Agreement worksheet (available for download at <http://dfs.fcoe.org/resources>) to our office, along with supporting documents (e.g., copies of Board approval documents showing key terms of the agreement(s) or similar documents) that can be used in our analysis of the fiscal impact of the agreements. Any necessary budget revisions should also be submitted.

Thank you for your consideration of this information. Please feel free to contact the District Financial Services team at (559) 265-3021 if you have any questions regarding this letter or if we may assist you with any finance-related matter.

Sincerely,

Gabriel Halls, Senior Director  
District Financial Services

c: Jim A Yovino, Superintendent, FCSS  
Kevin Otto, Deputy Superintendent/CFO, FCSS  
Mike Iribarren, Superintendent, AESD  
Kathy Bagwell, Finance Officer, AESD

July 21, 2021

Mr. Shane Murray  
Board President  
Kingsburg Elementary Charter School District  
1310 Stroud Avenue  
Kingsburg, CA 93631

Subject: 2020-21 Second Interim Report Certification

Dear Mr. Murray:

The Fresno County Superintendent of Schools' (County Superintendent's) District Financial Services Department has reviewed the Kingsburg Elementary Charter School District's (District's) 2020-21 *Second Interim Report* in accordance with State Criteria and Standards and has reported its findings to the County Superintendent. Based upon this review, the County Superintendent has concurred with the District's **POSITIVE CERTIFICATION**<sup>1</sup> and has reported his findings to the California Department of Education and the State Controller's Office. A "Positive Certification" indicates that, based on current projections, the District "will meet its financial obligations for the current fiscal year and subsequent two fiscal years" (Education Code Section [ECS] 42131(a)(1)). The County Superintendent's concurrence with the District's Positive Certification is based on the information available at the time the District certified its Second Interim Report and may not be indicative of the District's current fiscal position.

Additional information regarding 2021-22 Budgets, Local Control and Accountability Plans, cash management, non-voter-approved debt, and collective bargaining is provided below.

**I. 2021-22 BUDGETS – REMINDER REGARDING DISCLOSURE REQUIREMENTS AT BUDGET PUBLIC HEARING**

Senate Bill 858 (June 2014) included language that affects annual disclosure of district reserves greater than the minimum standard and also requires caps on reserves the year after the state makes a deposit into the state school reserve established by Proposition 2. Senate Bill 751 (October 2017) amended the law to activate the reserve cap in the fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total of General Fund revenues. While it may be some time before the reserve cap portion of the law is triggered, the requirement to disclose information regarding reserves greater than the minimum standard is applicable for the 2021-22 budget adoption hearings. Education Code section 42127(a)(2)(B) states that:

<sup>1</sup> A "Positive" certification indicates that a district will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A "Qualified" certification indicates that a district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A "Negative" certification will be assigned to any district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year (ECS 42131(a)(1)).

*Commencing with budgets adopted for the 2015–16 fiscal year, the governing board of a school district that proposes to adopt a budget, or revise a budget pursuant to subdivision (e), that includes a combined assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties adopted by the state board pursuant to subdivision (a) of Section 33128, shall, **at the public hearing held** pursuant to paragraph (1), provide all of the following for public review and discussion:*

*(i) The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

*(ii) The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

*(iii) A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties for each fiscal year that the school district identifies an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties, as identified pursuant to clause (ii).*

We have posted a “Sample Template for Statement of Reasons for Excess Reserves” form on our website (<http://dfs.fcoe.org/resources>) **for your use in making the necessary disclosures at your budget adoption public hearing**, if applicable. Please contact your District Financial Services Supervisor at (559) 265-3021 if you have any questions about these new disclosure requirements.

We will provide additional information related to 2021-22 Budget development once the Governor’s May Revision becomes available in mid-May.

## **II. 2021-22 LOCAL CONTROL AND ACCOUNTABILITY PLANS**

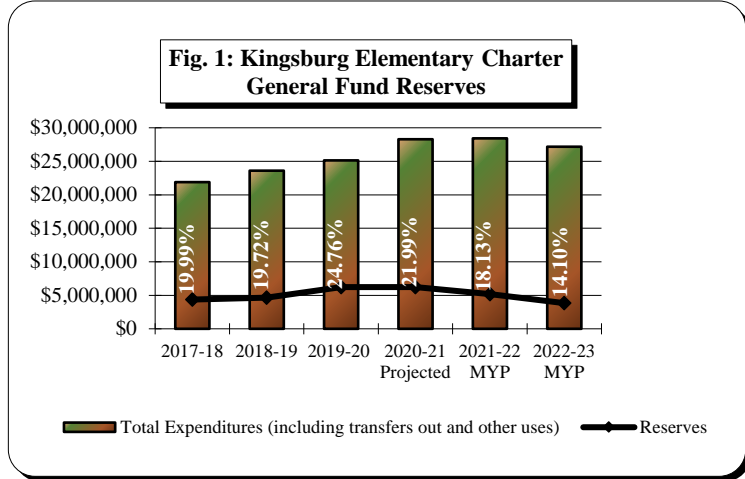
School district budgets have always reflected a district’s goals and priorities, but implementation of the Local Control Funding Formula (LCFF) formalized the alignment of a spending plan and resources to support that plan through development of Local Control and Accountability Plans (LCAPs). As you work on your 2021-22 LCAP, we encourage you to review the County Superintendent’s LCAP website (<http://lcap.fcoe.org/>), the current “Common Message” (<http://dfs.fcoe.org/resources>), and CDE’s LCAP page (<http://www.cde.ca.gov/re/lc/>) as needed for support. You may also contact Marvin Baker, Director of LCAP & Compliance, at (559) 265-4045 or [mbaker@fcoe.org](mailto:mbaker@fcoe.org).



**III. KINGSBURG ELEMENTARY CHARTER SCHOOL DISTRICT’S FISCAL POSITION AS OF JANUARY 31, 2021**

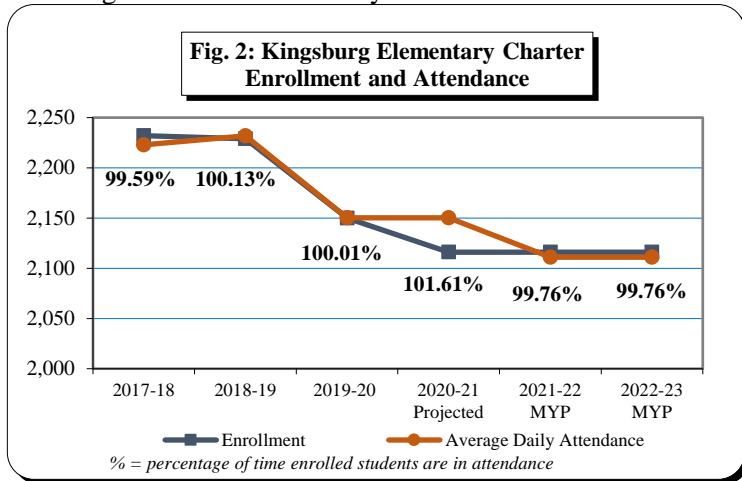
**A. Reserves**

The District certified its Second Interim Report as “Positive”, based on its anticipated ability to meet its financial obligations and the minimum 3% Reserve for Economic Uncertainties (Reserve) standard in the current and subsequent two years. As shown on the General Fund Reserves graph (Fig. 1), the District’s reserve levels are projected to be 21.99% (June 30, 2021), 18.13% (June 30, 2022) and 14.10% (June 30, 2023). ADA has declined as of 2019-20 P-2 and district is projecting continued declines in subsequent years.



**B. Enrollment and ADA**

School district funding is driven primarily by its enrollment and corresponding Average Daily Attendance (ADA). As shown on the Enrollment and Attendance graph, (Fig. 2) the District’s enrollment has been declining for the last several years. Education Code Section (EC §) 43502(b) requires the California Department of Education to use actual attendance reported at the 2019–20 P-2 and P-Annual reporting periods as the basis for funding in 2020–21, and this includes all programs funded on an ADA-basis such as the Mandate Block Grant and the Lottery. 2020–21 attendance is not reported to the state, so ADA protection extends to 2021–22. Districts that are experiencing ongoing declining enrollment will have to address the cumulative impact of two or more years of decline in 2022–23. Despite the ADA hold harmless, we recommend the district take the necessary steps to align staffing and expenditures to the number of students being served during the 2021–22 fiscal year.



**IV. CASH MANAGEMENT**

Cash management is a critical component of financial planning in a school district. Since implementation of the LCFF, cash flow has become more favorable for school districts. However, districts with healthy fund balances and reserves may experience periodic operating cash shortages. The District should monitor its cash flow continually and plan for short-term interfund or other borrowing options if necessary, to meet

operational needs. The District should also ensure that any temporary interfund loans are repaid in accordance with ECS 42603.

#### V. NON-VOTER APPROVED DEBT

Pursuant to ECS 17150.1, school districts must disclose information related to non-voter approved debt when that debt is secured by real property. The disclosure must be made to the County Superintendent and the County Auditor at least 30 days prior to Board approval of the debt.

The County Superintendent has prepared a “Disclosure of Non-Voter Approved Debt” form to assist you in meeting the disclosure requirements. The “Disclosure” form, as well as an Excel workbook prepared by the Fiscal Crisis & Management Assistance Team (FCMAT), have been posted here: <http://dfs.fcoe.org/resources>. If your District plans to issue non-voter approved debt (including Bond-Anticipation Notes or “BANs”), please submit the County Superintendent’s disclosure form to this Office and to the County Auditor. (The FCMAT worksheet may be helpful to you but is optional.)

#### VI. COLLECTIVE BARGAINING

Government Code Section [GCS] 3547.5 requires public disclosure of fiscal information related to a collective bargaining agreement, **before a district enters into the agreement**. This disclosure includes, but is not limited to, the costs that would be incurred by the district under the agreement for the current and subsequent fiscal years. This requirement applies whether a district is negotiating for salary and benefit increases or concessions.

GCS 3547.5 also requires the district superintendent and the chief business officer to certify that the costs incurred by the district can be met during the complete term of the agreement. The certification must include any budget revisions necessary to meet the cost of the agreement in each year of its term. The code further specifies that if the budget revisions are not made, the County Superintendent is required to declare the district as qualified or negative at the next interim reporting period.

Per ECS 42142, within 45 days of adopting a collective bargaining agreement, the superintendent of the school district shall forward to the county superintendent of schools any revisions to the district’s current year budget that are necessary to fulfill the terms of that agreement. Any additional costs that may result from the agreement must also be reflected in the district’s interim fiscal reports and multiyear fiscal projections.

If you have settled with your bargaining units since the Second Interim reporting period, please submit the Disclosure of Collective Bargaining Agreement worksheet (available for download at <http://dfs.fcoe.org/resources>) to our office, along with supporting documents (e.g., copies of Board approval documents showing key terms of the agreement(s) or similar documents) that can be used in our analysis of the fiscal impact of the agreements. Any necessary budget revisions should also be submitted.

Thank you for your consideration of this information. Please feel free to contact the District Financial Services team at (559) 265-3021 if you have any questions regarding this letter or if we may assist you with any finance-related matter.

Sincerely,

Gabriel Halls, Senior Director  
District Financial Services

c: Jim A Yovino, Superintendent, FCSS  
Kevin Otto, Deputy Superintendent/CFO, FCSS  
Wesley Sever, Ed.D., Superintendent, KECSO  
Bobby Rodriguez, CBO, KECSO

April 15, 2021

Mrs. Kellee Wheatley, Board President  
Island Union Elementary School District  
7799 21st Avenue  
Lemoore, CA 93245

Dear Mrs. Wheatley,

Reporting Requirements

Pursuant to the reports required by Section 42130, the governing board of each school district shall certify, in writing, within 45 days after the close of the period being reported, whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the two subsequent fiscal years. These certifications shall be based upon the board's assessment, on the basis of standards and criteria for fiscal stability adopted by the State Board of Education pursuant to Section 33127, of the district budget, as revised to reflect current information regarding the adopted state budget, district property tax revenues pursuant to Sections 95 to 100, inclusive, of the Revenue and Taxation Code, and ending balances for the preceding fiscal year as reported pursuant to Section 42100. The certifications shall be classified as positive, qualified, or negative, as prescribed by the Superintendent of Public Instruction for the purposes of determining subsequent actions by the Superintendent of Public Instruction, the Controller, or the County Superintendent of Schools.

Within 75 days after the close of each reporting period, each county superintendent of schools shall report to the Controller and the Superintendent of Public Instruction as to whether the governing board of each of the school districts under his or her jurisdiction has submitted the certification. That report shall indicate the type of certification filed by each district.

Analysis of District's Fiscal Position

The Kings County Office of Education has reviewed the Second Interim Financial Report submitted by the Island Union Elementary School District for the period ending March 31, 2021. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance, cashflow and multiyear financial projections. *The following are our notes:*

- **ADA Estimations:** In order to mitigate decline in attendance due to COVID-19, Executive Order N-26-20 provided a "hold harmless" provision in which LEAs will be funded at their 2019-20 attendance rates for the 2020-21 fiscal year. For most districts, this has provided some relief from loss of funding from declining enrollment not only in current year but also in the 2021-22 for LEAs that are subject to prior year ADA protection. We recommend districts use this temporary relief to closely monitor the impact of COVID-19 on enrollment and prepare to make necessary adjustments to staffing and budgets when the effects of the "hold harmless" provision come to an end.

- **Revenue/Expenditure Projections:** Based on the general fund unrestricted/restricted multi-year projection, the district is projecting changes in the general ledger ending fund balances in the current and next two years as shown below:
  - 2020-21 decrease \$ (289,863.54)
  - 2021-22 decrease \$ (72,258.00)
  - 2022-23 decrease \$ (232,463.00)

Any anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.

- **Cashflow:** The enacted State Budget for 2020-21 includes state apportionment cash deferrals of approximately 36% for the period of February through June 2021. These cash deferrals will be paid to LEAs during the months of July through November 2021. The scheduled payment deferrals will have significant negative impact on district cash flows, and if not addressed, may cause disruptions to the district's ability to meet their financial obligations and/or cash reserve requirements. The district has adopted an inter-fund borrowing resolution to address potential cashflow issues for the 2020-21 fiscal year. We ask that the district continue to monitor its cash flow projections on a monthly basis.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized for classified staff as of the Second Interim reporting period. Certificated negotiations have not been settled.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2021-22 and 2022-23 it is important that the district's governing board and administration closely monitor and manage the district's financial resources to assure maintenance of a positive financial condition. It remains essential for each school district to maintain the required state minimum unrestricted reserves throughout the current fiscal year and to budget at least the state minimum required reserves in each future year due to the uncertainty of ongoing funding at the state or federal levels.

We caution the districts on the use of one-time state and federal COVID-19 funds as a remedy for pre-existing on-going deficit spending issues within the Multi-Year Projection.

#### Conclusion

Based on our analysis, the data provided supports the board's **positive certification** of the district's financial condition and ability to meet its financial obligations. The district's unrestricted reserve balances meet the minimum state criteria and standards of 4% for the current and two subsequent years.

This certification is not a guarantee of future positive certifications. Circumstances do change and this opinion does not guarantee financial stability for the next two years. Your financial position is the result of management decisions and other issues, such as attendance, state and federal revenue funding, bargaining unit pressures, and price inflators for supplies and services.

#### Future Concerns

The Governor's Budget for 2021-22 proposes continued commitment to LCFF by providing the statutory cost-of-living adjustment (COLA) over the next three years. The annual increased cost of maintaining

existing salary schedules and related benefits combined with the increased cost of special education may continue to outpace annual COLAs leaving very little funding left over for negotiations. This may require changes to future budget projections especially for those districts experiencing declining enrollment.

Also of note is the growing emphasis on accountability measures as outlined in each district's Local Control Accountability Plan (LCAP), as 2021-22 represents the first year of a new three-year LCAP cycle. LCFF continues to be fully funded and districts must ensure they are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2021-22 LCAP development it is critical that districts not only budget to meet the MPP requirement, but also respond to the performance data released by the California School Dashboard to develop goals and actions that are meeting the needs of each district's diverse student population.

Finally, please be advised of the following requirements resulting from the enactment of AB2756 (June 21, 2004):

- 1) AB2756 requires the district to update and certify multiyear financial projections reflecting the impact of any salary negotiations on the current and two subsequent fiscal years prior to board approval. As negotiations are settled, the Disclosure of Collective Bargaining Agreement (DCBA), including the multiyear projection should be sent to the County Office 5 days prior to board action.
  
- 2) AB2756 expanded the responsibilities of the county superintendent in reviewing school district budgets and in monitoring fiscal solvency. Education Code Section 42127.6 (a)(1) now states, "A school district shall provide the county superintendent of schools with a copy of a study, report, evaluation, or audit that was commissioned by the district, the county superintendent, the Superintendent of Public Instruction, and state control agencies and that contains evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the school district by the County Office Fiscal Crisis and Management Assistance Team or any regional team created pursuant to subdivision (i) of Section 42127.8." If the district commissions such a study, please submit a copy to our office to the attention of Maria Contreras.

If you have any questions concerning the review of the district's 2020-21 Second Interim Financial Report, please contact the undersigned.

Sincerely,

Jamie Dial  
Assistant Superintendent, Business Services

cc: Island Union Elementary School District; Charlotte Hines, Diane Augusto  
KCOE: Todd Barlow, Maria Contreras

April 15, 2021

Ms. Donna Sheldon, Board President  
Kings River-Hardwick Union School District  
10300 Excelsior Avenue  
Hanford, CA 93230

Dear Ms. Sheldon,

Reporting Requirements

Pursuant to the reports required by Section 42130, the governing board of each school district shall certify, in writing, within 45 days after the close of the period being reported, whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the two subsequent fiscal years. These certifications shall be based upon the board's assessment, on the basis of standards and criteria for fiscal stability adopted by the State Board of Education pursuant to Section 33127, of the district budget, as revised to reflect current information regarding the adopted state budget, district property tax revenues pursuant to Sections 95 to 100, inclusive, of the Revenue and Taxation Code, and ending balances for the preceding fiscal year as reported pursuant to Section 42100. The certifications shall be classified as positive, qualified, or negative, as prescribed by the Superintendent of Public Instruction for the purposes of determining subsequent actions by the Superintendent of Public Instruction, the Controller, or the County Superintendent of Schools.

Within 75 days after the close of each reporting period, each county superintendent of schools shall report to the Controller and the Superintendent of Public Instruction as to whether the governing board of each of the school districts under his or her jurisdiction has submitted the certification. That report shall indicate the type of certification filed by each district.

Analysis of District's Fiscal Position

The Kings County Office of Education has reviewed the Second Interim Financial Report submitted by the Kings River-Hardwick Union School District for the period ending March 31, 2021. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance, cashflow and multiyear financial projections. *The following are our notes:*

- **ADA Estimations:** In order to mitigate decline in attendance due to COVID-19, Executive Order N-26-20 provided a "hold harmless" provision in which LEAs will be funded at their 2019-20 attendance rates for the 2020-21 fiscal year. For most districts, this has provided some relief from loss of funding from declining enrollment not only in current year but also in the 2021-22 for LEAs that are subject to prior year ADA protection. We recommend districts use this temporary relief to closely monitor the impact of COVID-19 on enrollment and prepare to make necessary adjustments to staffing and budgets when the effects of the "hold harmless" provision come to an end.

- **Revenue/Expenditure Projections:** Based on the general fund unrestricted/restricted multi-year projection, the district is projecting changes in the general ledger ending fund balances in the current and next two years as shown below:
  - 2020-21 increase \$30,672.76
  - 2021-22 increase \$355,557.85
  - 2022-23 increase \$345,300.85

Any anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.

- **Cashflow:** The enacted State Budget for 2020-21 includes state apportionment cash deferrals of approximately 36% for the period of February through June 2021. These cash deferrals will be paid to LEAs during the months of July through November 2021. The scheduled payment deferrals will have significant negative impact on district cash flows, and if not addressed, may cause disruptions to the district's ability to meet their financial obligations and/or cash reserve requirements. The district has adopted an inter-fund borrowing resolution to address potential cashflow issues for the 2020-21 fiscal year. We ask that the district continue to monitor its cash flow projections on a monthly basis.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized as of the Second Interim reporting period.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2021-22 and 2022-23 it is important that the district's governing board and administration closely monitor and manage the district's financial resources to assure maintenance of a positive financial condition. It remains essential for each school district to maintain the required state minimum unrestricted reserves throughout the current fiscal year and to budget at least the state minimum required reserves in each future year due to the uncertainty of ongoing funding at the state or federal levels.

We caution the districts on the use of one-time state and federal COVID-19 funds as a remedy for pre-existing on-going deficit spending issues within the Multi-Year Projection.

### Conclusion

Based on our analysis, the data provided supports the board's **positive certification** of the district's financial condition and ability to meet its financial obligations. The district's unrestricted reserve balances meet the minimum state criteria and standards of 4% for the current and two subsequent years.

This certification is not a guarantee of future positive certifications. Circumstances do change and this opinion does not guarantee financial stability for the next two years. Your financial position is the result of management decisions and other issues, such as attendance, state and federal revenue funding, bargaining unit pressures, and price inflators for supplies and services.

### Future Concerns

The Governor's Budget for 2021-22 proposes continued commitment to LCFE by providing the statutory cost-of-living adjustment (COLA) over the next three years. The annual increased cost of maintaining



existing salary schedules and related benefits combined with the increased cost of special education may continue to outpace annual COLAs leaving very little funding left over for negotiations. This may require changes to future budget projections especially for those districts experiencing declining enrollment.

Also of note is the growing emphasis on accountability measures as outlined in each district's Local Control Accountability Plan (LCAP), as 2021-22 represents the first year of a new three-year LCAP cycle. LCFF continues to be fully funded and districts must ensure they are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2021-22 LCAP development it is critical that districts not only budget to meet the MPP requirement, but also respond to the performance data released by the California School Dashboard to develop goals and actions that are meeting the needs of each district's diverse student population.

Finally, please be advised of the following requirements resulting from the enactment of AB2756 (June 21, 2004):

- 1) AB2756 requires the district to update and certify multiyear financial projections reflecting the impact of any salary negotiations on the current and two subsequent fiscal years prior to board approval. As negotiations are settled, the Disclosure of Collective Bargaining Agreement (DCBA), including the multiyear projection should be sent to the County Office 5 days prior to board action.
  
- 2) AB2756 expanded the responsibilities of the county superintendent in reviewing school district budgets and in monitoring fiscal solvency. Education Code Section 42127.6 (a)(1) now states, "A school district shall provide the county superintendent of schools with a copy of a study, report, evaluation, or audit that was commissioned by the district, the county superintendent, the Superintendent of Public Instruction, and state control agencies and that contains evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the school district by the County Office Fiscal Crisis and Management Assistance Team or any regional team created pursuant to subdivision (i) of Section 42127.8." If the district commissions such a study, please submit a copy to our office to the attention of Maria Contreras.

If you have any questions concerning the review of the district's 2020-21 Second Interim Financial Report, please contact the undersigned.

Sincerely,

Jamie Dial  
Assistant Superintendent, Business Services

cc: Kings River-Hardwick Union School District; Cathlene Anderson, Trish Singh  
KCOE: Todd Barlow, Maria Contreras

April 15, 2021

Mr. Darrell Reis, Board President  
Pioneer Union Elementary School District  
1888 N. Mustang Drive  
Hanford, CA 93230

Dear Mr. Reis,

Reporting Requirements

Pursuant to the reports required by Section 42130, the governing board of each school district shall certify, in writing, within 45 days after the close of the period being reported, whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the two subsequent fiscal years. These certifications shall be based upon the board's assessment, on the basis of standards and criteria for fiscal stability adopted by the State Board of Education pursuant to Section 33127, of the district budget, as revised to reflect current information regarding the adopted state budget, district property tax revenues pursuant to Sections 95 to 100, inclusive, of the Revenue and Taxation Code, and ending balances for the preceding fiscal year as reported pursuant to Section 42100. The certifications shall be classified as positive, qualified, or negative, as prescribed by the Superintendent of Public Instruction for the purposes of determining subsequent actions by the Superintendent of Public Instruction, the Controller, or the County Superintendent of Schools.

Within 75 days after the close of each reporting period, each county superintendent of schools shall report to the Controller and the Superintendent of Public Instruction as to whether the governing board of each of the school districts under his or her jurisdiction has submitted the certification. That report shall indicate the type of certification filed by each district.

Analysis of District's Fiscal Position

The Kings County Office of Education has reviewed the Second Interim Financial Report submitted by the Pioneer Union Elementary School District for the period ending March 31, 2021. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance, cashflow and multiyear financial projections. *The following are our notes:*

- **ADA Estimations:** In order to mitigate decline in attendance due to COVID-19, Executive Order N-26-20 provided a "hold harmless" provision in which LEAs will be funded at their 2019-20 attendance rates for the 2020-21 fiscal year. For most districts, this has provided some relief from loss of funding from declining enrollment not only in current year but also in the 2021-22 for LEAs that are subject to prior year ADA protection. We recommend districts use this temporary relief to closely monitor the impact of COVID-19 on enrollment and prepare to make necessary adjustments to staffing and budgets when the effects of the "hold harmless" provision come to an end.

- **Revenue/Expenditure Projections:** Based on the general fund unrestricted/restricted multi-year projection, the district is projecting changes in the general ledger ending fund balances in the current and next two years as shown below:
  - 2020-21 increase \$538,340.40
  - 2021-22 increase \$362,111.69
  - 2022-23 increase \$972,236.03

Any anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.

- **Cashflow:** The enacted State Budget for 2020-21 includes state apportionment cash deferrals of approximately 36% for the period of February through June 2021. These cash deferrals will be paid to LEAs during the months of July through November 2021. The scheduled payment deferrals will have significant negative impact on district cash flows, and if not addressed, may cause disruptions to the district's ability to meet their financial obligations and/or cash reserve requirements. The district has adopted an inter-fund borrowing resolution to address potential cashflow issues for the 2020-21 fiscal year. We ask that the district continue to monitor its cash flow projections on a monthly basis.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized for certificated staff as of the Second Interim reporting period. Classified negotiations have not been settled.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2021-22 and 2022-23 it is important that the district's governing board and administration closely monitor and manage the district's financial resources to assure maintenance of a positive financial condition. It remains essential for each school district to maintain the required state minimum unrestricted reserves throughout the current fiscal year and to budget at least the state minimum required reserves in each future year due to the uncertainty of ongoing funding at the state or federal levels.

We caution the districts on the use of one-time state and federal COVID-19 funds as a remedy for pre-existing on-going deficit spending issues within the Multi-Year Projection.

### Conclusion

Based on our analysis, the data provided supports the board's **positive certification** of the district's financial condition and ability to meet its financial obligations. The district's unrestricted reserve balances meet the minimum state criteria and standards of 3% for the current and two subsequent years.

This certification is not a guarantee of future positive certifications. Circumstances do change and this opinion does not guarantee financial stability for the next two years. Your financial position is the result of management decisions and other issues, such as attendance, state and federal revenue funding, bargaining unit pressures, and price inflators for supplies and services.

Future Concerns

The Governor's Budget for 2021-22 proposes continued commitment to LCFF by providing the statutory cost-of-living adjustment (COLA) over the next three years. The annual increased cost of maintaining existing salary schedules and related benefits combined with the increased cost of special education may continue to outpace annual COLAs leaving very little funding left over for negotiations. This may require changes to future budget projections especially for those districts experiencing declining enrollment.

Also of note is the growing emphasis on accountability measures as outlined in each district's Local Control Accountability Plan (LCAP), as 2021-22 represents the first year of a new three-year LCAP cycle. LCFF continues to be fully funded and districts must ensure they are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2021-22 LCAP development it is critical that districts not only budget to meet the MPP requirement, but also respond to the performance data released by the California School Dashboard to develop goals and actions that are meeting the needs of each district's diverse student population.

Finally, please be advised of the following requirements resulting from the enactment of AB2756 (June 21, 2004):

- 1) AB2756 requires the district to update and certify multiyear financial projections reflecting the impact of any salary negotiations on the current and two subsequent fiscal years prior to board approval. As negotiations are settled, the Disclosure of Collective Bargaining Agreement (DCBA), including the multiyear projection should be sent to the County Office 5 days prior to board action.
- 2) AB2756 expanded the responsibilities of the county superintendent in reviewing school district budgets and in monitoring fiscal solvency. Education Code Section 42127.6 (a)(1) now states, "A school district shall provide the county superintendent of schools with a copy of a study, report, evaluation, or audit that was commissioned by the district, the county superintendent, the Superintendent of Public Instruction, and state control agencies and that contains evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the school district by the County Office Fiscal Crisis and Management Assistance Team or any regional team created pursuant to subdivision (i) of Section 42127.8." If the district commissions such a study, please submit a copy to our office to the attention of Maria Contreras.

If you have any questions concerning the review of the district's 2020-21 Second Interim Financial Report, please contact the undersigned.

Sincerely,

Jamie Dial  
Assistant Superintendent, Business Services

cc: Pioneer Union Elementary School District; Paul van Loon, Julie Semas-Tellian  
KCOE: Todd Barlow, Maria Contreras



**Gayle Garbolino-Mojica**  
*County Superintendent of Schools*

**Board of Education**

April 15, 2021

Susan Goto  
*Area 1*

Sergey Terebkov  
*Area 1*

Robert Tomasini  
*Area 1*

Kelli Gnile  
*Area 2*

David Patterson, Ed.D.  
*Area 3*

Lynn Oliver  
*Area 4*

E. Ken Tokutomi  
*Area 4*

**Superintendent's Cabinet**

Phillip J. Williams  
*Deputy Superintendent*

Martin Fregoso  
*Associate Superintendent  
Business Services*

Susan Connolly  
*Assistant Superintendent  
Student Services*

Jennifer Hicks  
*Assistant Superintendent  
Educational Services*

Colleen Slattery, Ed.D.  
*Assistant Superintendent  
Human Resources*

Troy Tickle  
*Assistant Superintendent  
SELPA*

Michelle Eklund  
*Chief Communications Officer  
Superintendent's Office*

Mr. Robert Kanngiesser, President  
Ackerman Charter District Board of Trustees  
1075 Matson Drive  
Auburn, CA 95603

RE: Fiscal Year 2020-2021 Second Interim

Dear Mr. Kanngiesser,

In accordance with the provisions of Education Code Section 42131, a review of the Ackerman Charter District's Second Interim Report for fiscal year 2020-21 has been completed by the Placer County Office of Education (PCOE). The District filed a Second Interim Report with a positive certification. Our analysis of the data provided indicates the District should be able to meet its financial obligations for the current and two subsequent years. We therefore concur with the District's positive certification and offer the following comments:

**Multi Year Expenditures Exceed Income (Deficit Spending)**

The District is projecting unrestricted deficit spending of (\$31,007) in FY 2021-22 and (\$449,597) in FY 2022-23. The District has indicated that a portion of the deficit spending in FY 2022-23 is due to planned curriculum adoptions. We recommend the District continue to monitor its budget deficit and adjust its future spending plans to maintain positive fund balances and adequate reserves to account for increasing costs and any enrollment changes.

**Negotiations**

According to the information provided in the District's Second interim budget, certificated and classified labor contract negotiations for FY 2020-21 remain unsettled and potential increases have not been incorporated into budgeted salary and benefit expenditures. Because labor costs make up a large portion of the District's budget, any salary and benefit increases paid from reserves or other one-time resources could adversely impact the fiscal condition of the District. This letter is a reminder that the Criteria and Standards specify that, upon settlement of a labor contract, the District must provide the county office of education with a disclosure of the settlement including its current and ongoing fiscal impact on the District.

**Future Planning**

The economic impacts of the pandemic may continue to present challenges to districts and particular attention must continue to be paid to out-year projections with the contributing factors both within and outside the control of the district. Districts are

Mr. Robert Kanngiesser  
April 15, 2021  
Page 2

receiving an influx of one-time resources and will need to ensure spending decisions contribute to their long-term fiscal health while addressing structural deficits that can be concealed by temporary funding sources. It is also important for districts to remain focused on the potential funding cliff due to any declining enrollment and the effects on the 2022-23 fiscal year.

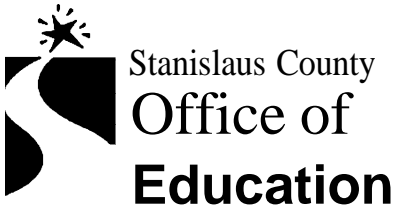
We appreciate the efforts of the District staff in preparing and submitting the Second Interim Report. A duplicate original of this letter is being sent to the Superintendent. Please feel free to contact me or Martin Fregoso at (530) 889-5920 should you have any questions or concerns about PCOE's review of the District's interim report.

Yours in education,



GAYLE GARBINO-MOJICA  
PLACER COUNTY SUPERINTENDENT OF SCHOOLS

GGM/jk  
C: Ann Corcoran



Scott Kuykendall, Superintendent

1100 H Street • Modesto, CA 95354 • (209) 238-1700 • FAX (209) 238-4201

April 15, 2021

Hickman Community Charter Board of Trustees  
C/o Hickman Community Charter School District  
13306-A 4th Street  
Hickman, CA 95323

Dear Board of Trustees:

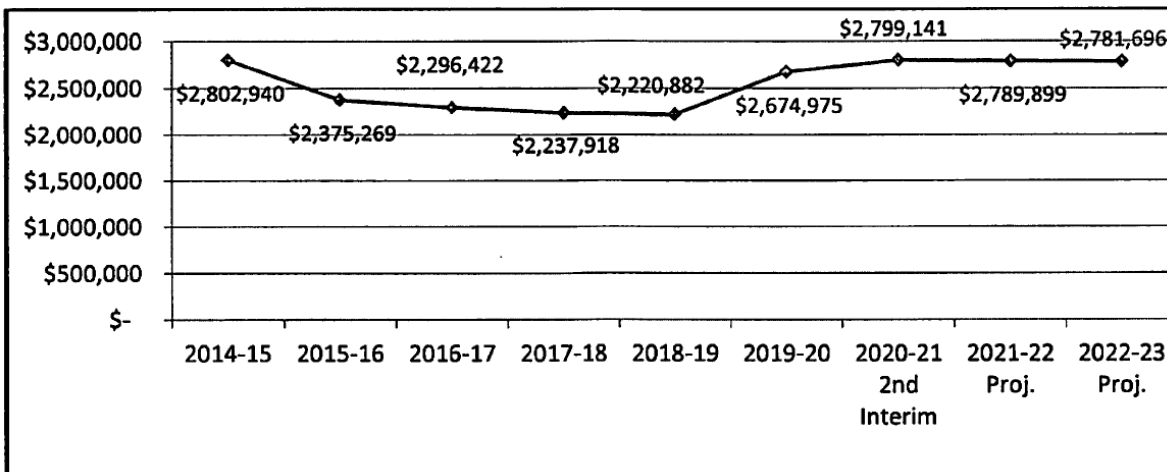
In accordance with the provisions of Education Code (E.C.) 42131, a review of the Hickman Community Charter Board of Trustees (District) Second Interim Report for fiscal year 2020-21 has been completed by the Stanislaus County Superintendent of Schools (County Superintendent). Based on the financial statements, multiyear projections and assumptions provided by the District, with data current as of January 31, 2021, it appears that the District should be able to meet its financial obligations for the current and two subsequent fiscal years. **We therefore concur with the District's positive certification with the following comments.**

County Office staff review several components of the District's 2020-21 Second Interim Report and corresponding supplemental information provided by the District. These issues include reserves and multiyear projections, change in fund balance and status of labor negotiations.

**Change in Fund Balance**

We note, the Unrestricted General Fund is projecting an increase of \$124,166. This increases the projected ending fund balance to \$2,799,141 or 26.73% of the total General Fund's budgeted expenditures and transfers out.

The following chart depicts the District's historical and projected unrestricted ending fund balances.



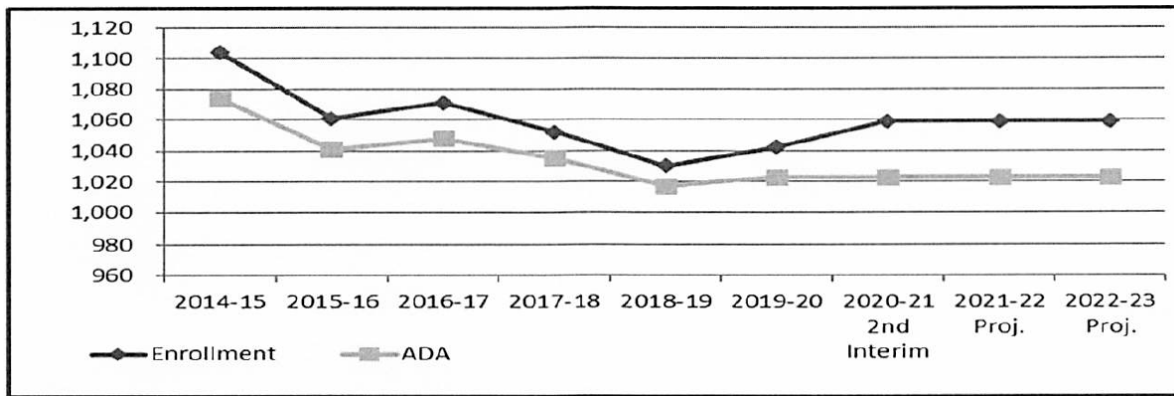
**Reserves and Multiyear Projections**

The minimum reserve level under the State Criteria and Standards is 3%. Review of the District's multiyear projections, inclusive of Fund 17 and after assignments, indicates reserve levels of 26.69% for 2020-21, 26.74% for 2021-22, and 26.37% for 2022-23.

**Enrollment and ADA**

The following charts depict the District CBEDS enrollment, ADA historical trends and estimated projections. As a reminder, the attendance guarantee that is in place is expected to be eliminated in 2022-23. We encourage the District to make any necessary adjustments to the projected years once the 2021-22 traditional attendance reporting resumes.

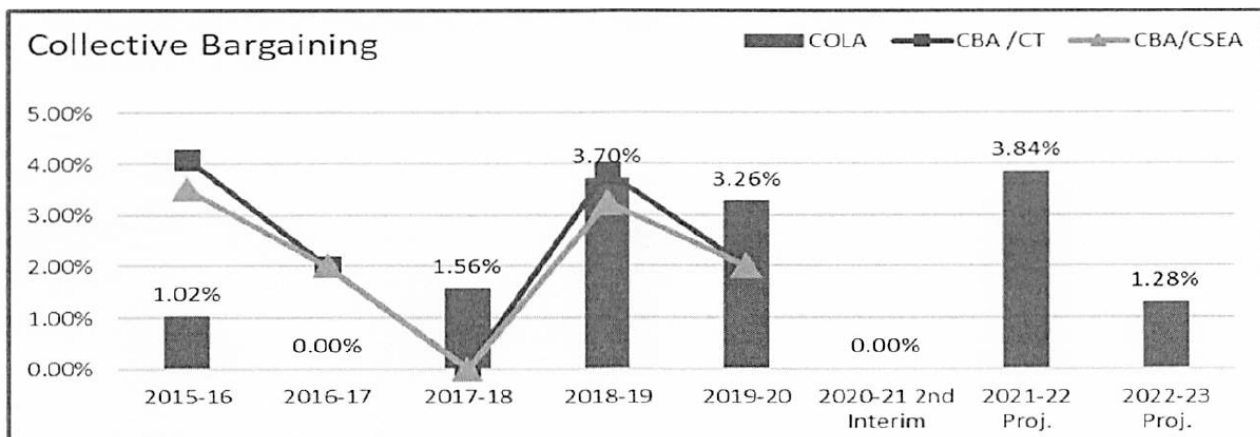
<b>Enrollment &amp; ADA</b>			
<b>Year</b>	<b>Enrollment</b>	<b>ADA</b>	<b>%</b>
2014-15	1,104	1,074.04	97.29%
2015-16	1,061	1,040.76	98.09%
2016-17	1,071	1,047.76	97.83%
2017-18	1,052	1,035.16	98.40%
2018-19	1,030	1,016.88	98.73%
2019-20	1,042	1,022.73	98.15%
2020-21 2nd Interim	1,059	1,022.73	96.58%
2021-22 Proj.	1,059	1,022.73	96.58%
2022-23 Proj.	1,059	1,022.73	96.58%



**Status of Labor Negotiations and Pension Expenditures**

Information reflected in the District's interim report shows that certificated and classified labor negotiation for 2020-21 are settled.





**Debt Issuance**

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified interim report certifications. These requirements are specifically addressed by E.C. Section 42133(a).

**Submission of Studies, Reports, Evaluations and/or Audits**

The annual 2019-20 audit submission had been extended this year to March 31, 2021. At this time, the audit has been received and reviewed by our office. We congratulate the District on a clean audit.

We remind the District that E.C. Sections 42127 and 42127.6 require the County Office be sent copies of any studies, reports, evaluations, or audits performed of the district that contain evidence that the district is showing fiscal distress.

**Conclusion**

We are aware that the information provided reflects the District's financial position and assumptions to date, and that further adjustments will be made during the year as additional data becomes available. We hope that these comments will be helpful to the District administration and board as you plan for the remainder of 2020-21 and develop your projections for 2021-22 and beyond.

We wish to express our appreciation to Ms. Thomasson and her staff for their cooperation during the preparation and review of the District's Second Interim report for fiscal year 2020-21. If our office can be of further assistance, please contact me at (209) 238-1937.

Sincerely,

Julie A. Betschart  
Senior Director, External Business Services  
Stanislaus County Office of Education

Cc: Mr. Paul Gardner, Superintendent  
Ms. Cathy Thomasson, Business Manager  
Ms. Kathleen Young, Director I, Business Services, Stanislaus County Office of Ed