

California Department of Education Services for Administration, Finance, Technology and Infrastructure Branch

Charter Schools Division

Financial Condition of State Board of Education—Authorized
Districtwide Charters – 2014–15 Second Interim



CALIFORNIA
DEPARTMENT OF
EDUCATION

Accessible alternative version of the contents of this document is available at
<http://www.cde.ca.gov/be/pn/im/memocsdaug15item01a1aav.asp>



Jim A. Yovino
Superintendent

fresno county office of education

April 29, 2015

Mr. David Davila
Board President
Alvina Elementary School District
295 W. Saginaw
Caruthers, CA 93609

SUBJECT: 2014-15 Second Interim Report Certification

Dear Mr. Davila:

The Fresno County Office of Education's District Financial Services (DFS) Department has reviewed the Alvina Elementary School District's (District's) 2014-15 *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**¹ 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.

2015-16 Budgets – New 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. 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 2015-16 budget adoption hearings. Education Code section 42127(a)(2)(B) states that:

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.*

¹ 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.

Mr. David Davila
April 29, 2015
Page 2

(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).

Within the next couple of weeks, we will provide a template form for your use in making the necessary disclosures at your budget adoption public hearing, if applicable. Additionally, it is our understanding that the SACS2015 software may include a new checkbox on the certification page, certifying that this information was disclosed at the public hearing. Please contact your District Financial Services Supervisor if you have any question about these new disclosure requirements.

We will provide additional information related to 2015-16 budget development once the Governor's May Revision becomes available in mid-May.

2015-16 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 2015-16 LCAP, we encourage you to review FCOE's LCAP website (<http://lcap.fcoe.org/>), the current "Common Message" (<http://dfs.fcoe.org/resources>), WestEd's LCFF site (<http://lcff.wested.org/>), and CDE's LCFF page (<http://www.cde.ca.gov/fg/aa/lc/>) as needed for support. You may also contact Roberto Castro, Director of LCAP & Compliance, at (559) 265-3098 ext. 3292 or rcastro@fcoe.org.

Please feel free to contact me at (559) 497-3771 or the DFS team at (559) 265-3021 if you have any questions regarding this letter or the 2015-16 budget development process.

Sincerely,



Jamie D. Perry, Senior Director
District Financial Services

c: Jim Yovino, Superintendent, FCOE
Richard A. Martin, Deputy Superintendent/CFO, FCOE
Mike Iribarren, Superintendent, AESD
Kathy Bagwell, CBO, AESD



fresno county office of education

April 29, 2015

Mr. Frank Yanes
Board President
Kingsburg Elementary Charter School District
1310 Stroud Avenue
Kingsburg, CA 93631

SUBJECT: 2014-15 Second Interim Report Certification

Dear Mr. Yanes:

The Fresno County Office of Education's District Financial Services (DFS) Department has reviewed the Kingsburg Elementary Charter School District's (District's) 2014-15 *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**¹ 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.

2015-16 Budgets – New Disclosure Requirements at Budget Public Hearing

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Mr. Frank Yanes
April 29, 2015
Page 2

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(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).

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2015-16 Local Control and Accountability Plans

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Please feel free to contact me at (559) 497-3771 or the DFS team at (559) 265-3021 if you have any questions regarding this letter or the 2015-16 budget development process.

Sincerely,



Jamie D. Perry, Senior Director
District Financial Services

c: Jim Yovino, Superintendent, FCOE
Richard A. Martin, Deputy Superintendent/CFO, FCOE
Wesley Sever, Superintendent, KECSD


Kings County Office of Education
 Tim Bowers - County Superintendent of Schools

 Kings County Board of Education	Area 1 <i>Mickey Thayer</i>	Area 2 <i>Joe Hammond</i>	Area 3 <i>Mike Robinson</i>	Area 4 <i>William Gundacker</i>	Area 5 <i>Rachel R. Caudillo</i>
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April 14, 2015

Mr. Howard Clarke, Board President
 Island Elementary School District
 7799 21st Ave.
 Lemoore, CA 93245

Dear Mr. Clarke,

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 School District for the period ending January 31, 2015. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance and multiyear financial projections. *The following are our notes:*

- **Revenue/Expenditure Projections:** The district is not projecting expenditures to exceed revenues based on general fund unrestricted/restricted in the current year or in 2015-16. However, the district is projecting to deficit by \$46,148 in 2016-17. Anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.

- **ADA Estimations:** The district is projecting K-12 ADA at 364 for the current fiscal year. This is an increase from prior year 2013-14 Second Period Attendance report. The district is projecting a small increase in ADA in each of the two subsequent years. While the ADA projections appear reasonable based on the district's historic trends, our office recommends that the district continue to review and monitor the ADA budgeted and revise the budget accordingly, if the ADA does not materialize as planned.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized with the certificated and classified bargaining units.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2015-16 and 2016-17, because the ultimate disposition of the State's budget cannot be predicted at this time and due to the current economic issues at both the state and national levels, it is important that the district's governing board and administration closely monitor and manage the district's financial resources, including monthly cash flow reviews, 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 levels at the state or federal levels.

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.

In January 2015, Governor Brown presented his proposed budget for K-12 education for the 2015-16 fiscal year. The Governor's budget proposal has COLA projected at 1.58% with growth projected in funding for the Local Control Funding Formula. The Governor is also anticipating to fully fund the cash flow deferrals to fully restore cash to districts by June 30, 2015.

Future Concerns

Based on the Governor's Proposed Budget for 2015-16, the new Local Control Funding Formula is projecting increased funding with full implementation to occur by 2020-21. Based on the new funding formula each district's funding will be determined based on local student demographics. With the adoption of the Local Control Accountability Plan (LCAP) the district will need to budget accordingly to meet the needs of the LCAP.

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

- 1) AB2756 now 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. Please send a copy of the updated multiyear financial projections with the submission of the AB1200 Salary settlement disclosure documents to our 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 Jamie Dial.


If you have any questions concerning the review of the district's 2014-15 Second Interim Financial Report, please contact the undersigned.

Sincerely,




Stephen G. Corl
Assistant Superintendent, Business Services

CC: Tim Bowers
Charlotte Hines
Diane Augusto


Kings County Office of Education

Tim Bowers - County Superintendent of Schools

 Kings County Board of Education	Area 1 <i>Mickey Thayer</i>	Area 2 <i>Joe Hammond</i>	Area 3 <i>Mike Robinson</i>	Area 4 <i>William Gundacker</i>	Area 5 <i>Rachel R. Caudillo</i>
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April 14, 2015

Mr. Paul Gillum, Board President
Kings River-Hardwick Union School District
10300 Excelsior Avenue
Hanford, CA 93230

Dear Mr. Gillum,

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 January 31, 2015. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance and multiyear financial projections. *The following are our notes:*

- **Revenue/Expenditure Projections:** The district is projecting expenditures to exceed revenues based on general fund unrestricted/restricted balances in the current fiscal year by \$249,672. The district is not projecting to continue to deficit spend in fiscal year 2015-16 and 2016-17. Anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.
- **ADA Estimations:** The district is projecting K-12 ADA at 737.67 for the current fiscal year. This is a small decrease over prior year 2013-14 Second Period Attendance report. The district is projecting flat ADA for 2015-16 and 2016-17. While the ADA projections appear reasonable based on the district's historic trends, our office recommends that the district continue to review and monitor the ADA budgeted and revise the budget accordingly, if the ADA does not materialize as planned.

- **Impact of Negotiations:** The district has indicated that negotiations have been finalized with the certificated and classified bargaining units.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2015-16 and 2016-17, because the ultimate disposition of the State's budget cannot be predicted at this time and due to the current economic issues at both the state and national levels, it is important that the district's governing board and administration closely monitor and manage the district's financial resources, including monthly cash flow reviews, 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 levels at the state or federal levels.

The district will need to carefully monitor deficit spending and reserve levels due to the fact that the district does not have any additional reserves set aside for potential cash shortages that may occur. We feel it is extremely important for districts to have additional reserves set aside to cover unforeseen cash shortages, costly repairs and declining enrollment.

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.

In January 2015, Governor Brown presented his proposed budget for K-12 education for the 2015-16 fiscal year. The Governor's budget proposal has COLA projected at 1.58% with growth projected in funding for the Local Control Funding Formula. The Governor is also anticipating to fully fund the cash flow deferrals to fully restore cash to districts by June 30, 2015.

Future Concerns

Based on the Governor's Proposed Budget for 2015-16, the new Local Control Funding Formula is projecting increased funding with full implementation to occur by 2020-21. Based on the new funding formula each district's funding will be determined based on local student demographics. With the adoption of the Local Control Accountability Plan (LCAP) the district will need to budget accordingly to meet the needs of the LCAP.

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

- 1) AB2756 now 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. Please send a copy of the updated multiyear financial projections with the submission of the AB1200 Salary settlement disclosure documents to our 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 Jamie Dial.

If you have any questions concerning the review of the district's 2014-15 Second Interim Financial Report, please contact the undersigned.


Sincerely,



Stephen G. Corl
Assistant Superintendent, Business Services

CC: Tim Bowers
Cathlene Anderson
Trish Singh


Kings County Office of Education
 Tim Bowers - County Superintendent of Schools

 Kings County Board of Education	Area 1 <i>Mickey Thayer</i>	Area 2 <i>Joe Hammond</i>	Area 3 <i>Mike Robinson</i>	Area 4 <i>William Gundacker</i>	Area 5 <i>Rachel R. Caudillo</i>
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April 14, 2015

Mr. Doug Wisecarver, Board President
 Pioneer Union School District
 1888 N. Mustang Dr.
 Hanford, CA 93230

Dear Mr. Wisecarver,

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 School District for the period ending January 31, 2015. Our review included an analysis of the district's estimated average daily attendance (ADA), projected revenues, expenditures, fund balance and multiyear financial projections. *The following are our notes:*

- **Revenue/Expenditure Projections:** The district is projecting expenditures to exceed revenues based on general fund unrestricted/restricted in the current fiscal year by \$517,494 and continued deficit spending in 2015-16 by \$35,973 with no projected deficit spending anticipated in 2016-17. Anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the district's ongoing reserves.

- **ADA Estimations:** The district is projecting ADA of 1,523 for the current fiscal year. This is a small decrease over the prior year 2013-14 Second Period Attendance report. The district is projecting flat ADA in 2015-16 and 2016-17. While the ADA projections appear reasonable based on the district's historic trends, our office recommends that the district continue to review and monitor the ADA budgeted and revise the budget accordingly, if the ADA does not materialize as planned.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized with the certificated and classified bargaining units.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2015-16 and 2016-17, because the ultimate disposition of the State's budget cannot be predicted at this time and due to the current economic issues at both the state and national levels, it is important that the district's governing board and administration closely monitor and manage the district's financial resources, including monthly cash flow reviews, 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 levels at the state or federal levels.

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.

In January 2015, Governor Brown presented his proposed budget for K-12 education for the 2015-16 fiscal year. The Governor's budget proposal has COLA projected at 1.58% with growth projected in funding for the Local Control Funding Formula. The Governor is also anticipating to fully fund the cash flow deferrals to fully restore cash to districts by June 30, 2015.

Future Concerns

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

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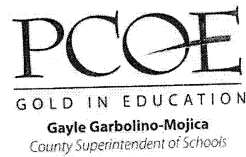
If you have any questions concerning the review of the district's 2014-15 Second Interim Financial Report, please contact the undersigned.

Sincerely,



Stephen G. Corl
Assistant Superintendent, Business Services

CC: Tim Bowers
Paul van Loon
Julie Semas



Board of Education
Susan Goto
Area 1
Suzanne Jones
Area 1
Robert Tomasi
Area 1
Kelli Gnile
Area 2
David Patterson, Ed. D.
Area 3
Lynn Oliver
Area 4
E. Ken Tokutomi
Area 4

Superintendent's Cabinet
Jerry Johnson
*Associate Superintendent
Business Services*
Renee Regacho-Anacleto, Ed. D.
*Associate Superintendent
Educational Services*
Phillip J. Williams
*Associate Superintendent
Student Services*
Catherine Goins
*Assistant Superintendent
Early Education & Administration*
James L. Anderberg
*Executive Director
Administrative Services*
Mary Ann Garcia
*Executive Director
Human Resources*

April 15, 2015

Mr. Gary Yee, Superintendent
Ackerman Charter District
13777 Bowman Road
Auburn, CA 95603

RE: FY 2014-15 Second Interim

Dear Mr. Yee,

In accordance with the provisions of Education Code Section 42131, a review of the Ackerman Charter District's Second Interim Report for fiscal year 2014-15 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:

Based upon our review, we want to make special note of the following:

Deficit Spending

The District is projecting unrestricted deficit spending of (\$209,346) in FY 2014-15. We recommend the District monitor its budget deficit and adjust its future spending plans if necessary to maintain a balanced budget.

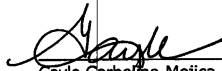
Negotiations

According to the information provided in the District's interim report, certificated and classified labor contract negotiations for FY 2014-15 remain unsettled and potential increases have not been calculated and incorporated into budgeted salary and benefit expenditures. Because labor costs make up a large portion of the District's budget, we are concerned that any salary and benefit increase, if 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.

Mr. Gary Yee
April 15, 2015
Page 2

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 Board President. Please feel free to contact me or Jerry Johnson 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 Garbolino-Mojica
County Superintendent of Schools

GGM/jk
C: Shelly Saunders



Tom Changnon, Superintendent

BUSINESS SERVICES DIVISION
1100 H Street • Modesto, CA 95354 • (209) 238-1900 • FAX (209) 238-4205

April 10, 2015

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.) Section 42131, a review of the Hickman Community Charter School District's (District) Second Interim Report for fiscal year 2014-15 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, 2015, 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.**

This letter discusses various issues noted by the County Office staff during their review of the District's 2014-15 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

The District is projecting a deficit in its General Fund of \$337,295 representing 3.97 percent of the budgeted total expenditures and transfers out for 2014-15. In addition, the District's multiyear projection reflects a surplus of \$6,263 for 2015-16 and \$15,571 for 2016-17.

Reserves and Multiyear Projections

The minimum reserve level for a district of your size is 3.00 percent under the State Criteria and Standards. Our review of the District's multiyear projections indicates reserve levels of 25.00 percent for 2014-15, 25.00 percent for 2015-16, and 25.00 percent for 2016-17.

Status of Labor Negotiations

Information reflected in the District's Second Interim report shows that certificated and classified labor negotiation for 2014-15 are settled. Thank you for your timely submission of the required disclosures.

Debt Issuance

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

Submission of Studies, Reports, Evaluations and/or Audits

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 done of the district that contain evidence that the district is showing fiscal distress. We are then required to incorporate that information into our analysis of budgets, interim reports and the district's overall financial condition.

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 2014-15 and develop your projections for 2015-16 and beyond.

We wish to express our appreciation to Ms. Cathy Thomasson and her staff for their cooperation during the preparation and review of the District's Second Interim report for fiscal year 2014-15. If our office can be of further assistance, please call me at (209) 238-1937.

Sincerely,



Shirley Bueff
Director, District Business Support
Stanislaus County Office of Education

- c: Mr. Paul Gardner, Superintendent, Hickman Community Charter School District
- Ms. Cathy Thomasson, Business Manager, Hickman Community Charter School District
- Ms. Sandi Madera, District Finance Manager, Stanislaus County Office of Education