This document was provided, as is, to the California Department of Education (CDE) by the following districts:

- Alvina Elementary
- Kingsburg Elementary Charter
- Island Union Elementary
- Kings River-Hardwick Union Elementary
- Pioneer Union Elementary
- Ackerman Charter
- Hickman Community Charter

This document is posted to the CDE Web site 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 e-mail at charters@cde.ca.gov.
April 30, 2019

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

Subject: 2018-19 Second Interim Report Certification

Dear Mr. Hill:

The Fresno County Superintendent of Schools’ (County Superintendent’s) District Financial Services Department has reviewed the Alvina Elementary Charter School District’s (District’s) 2018-19 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 CERTIFICATION1 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 the District’s current fiscal position, 2019-20 Budgets, Local Control and Accountability Plans, cash management, non-voter-approved debt, and collective bargaining is provided below.

I. ALVINA ELEMENTARY CHARTER SCHOOL DISTRICT’S FISCAL POSITION AS OF JANUARY 31, 2019

A. Reserves

The District certified its Second Interim Report as “Positive”, based on its anticipated ability to meet its financial obligations and the minimum 5% Reserve for Economic Uncertainties (Reserve) standard in the

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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 (ECS 42131(a)(1)).
current and subsequent two years. As shown on the General Fund Reserves graph (Fig. 1), the District’s reserve levels are projected to be 21.13% (June 30, 2019), 19.17% (June 30, 2020) and 16.22% (June 30, 2021). These figures include the District’s balance in Fund 17 of approximately $105,000.

Fig. 1: Alvina Elementary General Fund Reserves

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 started to trend upward two of the past three years. The District’s Second Interim Report states the District’s enrollment will increase from 186 to 203 in the current year and is estimated to remain flat in the subsequent years.

Fig. 2: Alvina Elementary Enrollment and Attendance

C. Alvina Elementary Charter School District’s 2017-18 Annual Audit

The District’s June 30, 2018 Audit Report had no findings. All prior year findings have been implemented.

II. 2019-20 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 2019-20 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.
(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 2019-20 Budget development once the Governor’s May Revision becomes available in mid-May.

III. 2019-20 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 2019-20 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/les/) as needed for support. You may also contact Marvin Baker, Director of LCAP & Compliance, at (559) 265-4045 or mbaker@fcoe.org.

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](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](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.

VII. CHARTER OVERSIGHT

If your district has authorized charter schools to operate within your district boundaries, you are obligated by Education Code Section 47604.32 to, among other things, monitor the charter school’s fiscal condition, and promptly notify the CDE and County Office of any change in its status.
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
April 30, 2019

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

Subject: 2018-19 Second Interim Report Certification

Dear Mr. Yanes:

The Fresno County Superintendent of Schools’ (County Superintendent’s) District Financial Services Department has reviewed the Kingsburg Elementary Charter School District’s (District’s) 2018-19 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 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 the District’s current fiscal position, 2019-20 Budgets, Local Control and Accountability Plans, cash management, non-voter-approved debt, and collective bargaining is provided below.

I. KINGSBURG ELEMENTARY CHARTER SCHOOL DISTRICT’S FISCAL POSITION AS OF JANUARY 31, 2019

A. Unrestricted Fund Balance

The District’s Second Interim Report incorrectly stated the Beginning Fund Balance that reduces the Total Components of Ending Fund Balance by approximately $1.5 Million in the current year, resulting in lower Reserve levels reflected on the next page. Furthermore, the District is projecting to deficit spend in the current and two subsequent years. Deficit spending can possibly be contributed to enrollment declines, 

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 (ECS 42131(a)(1)).
STRS/PERS increases, and potential salary increases. It appears the district’s deficits are structural in nature, and if enrollment continues to decline, revenues will be impacted. The District should cautiously approach any new obligations until enrollment gains become consistent.

B. 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), with the adjustment to the Ending Fund Balance mentioned in the last paragraph, the District’s reserve levels have been adjusted downward since Second Interim to be 10.77% (June 30, 2019), 6.74% (June 30, 2020), and 4.63% (June 30, 2021).

C. Enrollment

School district funding is driven primarily by its enrollment and corresponding Average Daily Attendance (ADA). The District’s Second Interim Report assumed that the District’s enrollment in the subsequent two years would increase to 2,233 (see Figure 2). Certified CALPADS enrollment reflects a 2018-19 enrollment of 2,229. Enrollment appears to have declined since the prior year, but P-2 ADA increased due to recent mid-year enrollment increases.

D. Kingsburg Elementary Charter School District’s 2017-18 Annual Audit

The District’s 2017-18 audit findings have been implemented. There was one new finding determined by the District’s auditors in 2017-18. Respectively, the finding related to ensuring proper Title I allocations to district sites and ensuring Title I expenditures aligned with the Single Plan for Student Achievement

2 These projected reserve percentages do not include any amount currently held in Fund 17 (Special Reserve for Other than Capital Outlay).
for each site. The District’s auditor states that the corrective action has already been implemented for 2018-19.

II. 2019-20 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 2019-20 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.

(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 2019-20 Budget development once the Governor’s May Revision becomes available in mid-May.
III. 2019-20 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 2019-20 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.

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.

On March 11, 2019, the district has settled on a 5% salary increase for the 2019-20 Fiscal year and submitted the agreement and supporting fiscal reports. Any additional costs that may result from the agreement must also be reflected in the district’s future interim fiscal reports and multiyear fiscal projections.
VII. CHARTER OVERSIGHT

If your district has authorized charter schools to operate within your district boundaries, you are obligated by Education Code Section 47604.32 to, among other things, monitor the charter school’s fiscal condition, and promptly notify the CDE and County Office of any change in its status.

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, KECSD
    Nick Taylor, Ed.D., CBO, KECSD
Dear Mrs. Naylon:

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, 2019. 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 the general fund unrestricted/restricted multi-year projections in the current or subsequent two fiscal years.

- **ADA Estimations**: The district is projecting K-12 ADA at 415.15 for the current fiscal year which is an increase of roughly 8 ADA from prior year. The district is projecting a decrease of 23 ADA in the following fiscal year followed by a decrease of 10 ADA in 2020-21 according to the general fund unrestricted/restricted multi-year projections. 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. The District, as a charter district, is reliant on non-resident ADA. If a drop in non-resident ADA occurs, there is no prior year P-2 protection.

- **Impact of Negotiations**: The district has indicated that negotiations have been finalized with the certificated and classified bargaining units as of the 2nd interim reporting period.
Multi-year Projections: With respect to the two subsequent fiscal years 2019-20 and 2020-21, 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.

Future Concerns
The Governor's Budget for 2019-20 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 will 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 2019-20 represents the second year of full funding under the LCFF model it is expected that districts are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2019-20 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.

Lastly, due to the passage of AB1808 in 2018 the LCAP template for 2019-20 incorporates a new section titled "Budget Overview for Parents" which is intended to help stakeholders better understand funding decisions included in the LCAP. This bill takes an additional step towards increasing transparency over those additional supplemental and concentration dollars generated by unduplicated students.

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 Sarah Smigiera.

If you have any questions concerning the review of the district’s 2018-19 Second Interim Financial Report, please contact the undersigned.

Sincerely,

[Signature]

Jamie Dial
Assistant Superintendent, Business Services

CC: Todd Barlow, County Superintendent
    Charlotte Hines, District Superintendent
    Diane Augusto, District CBO
April 16, 2019

Mrs. Teresa Carlos-Contreras, Board President
Kings River-Hardwick Union School District
10300 Excelsior Avenue
Hanford, CA 93230

Dear Mrs. Carlos-Contreras:

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, 2019. 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 $3,497. The district is projecting deficit spending of $187,479 in 2019-20 with deficit spending of $185,610 projected to continue in 2020-21. 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 758 for the current fiscal year. This is a decrease of approximately 23 ADA over the prior year. The district’s ADA is projected to remain static in the following two subsequent fiscal years according to the general fund unrestricted/restricted multiyear projections. 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. The District, as a charter district, is reliant on non-resident ADA. If a drop in non-resident ADA occurs, there is no prior year P-2 protection.

• Impact of Negotiations: The district has indicated that negotiations have been finalized with the certificated and classified bargaining units as of the 2nd interim reporting period.
Multi-year Projections: With respect to the two subsequent fiscal years 2019-20 and 2020-21, 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.

Future Concerns
The Governor’s Budget for 2019-20 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 will 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 2019-20 represents the second year of full funding under the LCFF model it is expected that districts are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2019-20 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.

Lastly, due to the passage of AB1808 in 2018 the LCAP template for 2019-20 incorporates a new section titled “Budget Overview for Parents” which is intended to help stakeholders better understand funding decisions included in the LCAP. This bill takes an additional step towards increasing transparency over those additional supplemental and concentration dollars generated by unduplicated students.

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 Sarah Smigiera.

If you have any questions concerning the review of the district’s 2018-19 Second Interim Financial Report, please contact the undersigned.

Sincerely,

Jamie Dial
Assistant Superintendent, Business Services

CC: Todd Barlow, County Superintendent
    Cathlene Anderson, District Superintendent
    Trish Singh, Director, Business & Personnel
April 16, 2019

Mrs. Denise Peters, Board President
Pioneer Union School District
1888 N. Mustang Drive
Hanford, CA 93230

Dear Mrs. Peters,

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, 2019. 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 by $252,890 based on general fund unrestricted/restricted in the current fiscal year. The district is projected to deficit spend in fiscal year 2019-20 by $297,692 followed by the elimination of deficit spending 2020-21. 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 1,526.07 for the current fiscal year which represents an increase of approximately 11 ADA over the 2017-18 P-2 attendance reporting period. The district is projecting no change in ADA in the two subsequent fiscal years according to the general fund unrestricted/restricted multi-year projections. 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. The District, as a charter district, is reliant on non-resident ADA. If a drop in non-resident ADA occurs, there is no prior year P-2 protection.
Impact of Negotiations: The district has indicated that negotiations have been finalized with the certificated and classified bargaining units as of the 2nd interim reporting period.

Multi-year Projections: With respect to the two subsequent fiscal years 2019-20 and 2020-21, 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.

Future Concerns
The Governor’s Budget for 2019-20 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 will 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 2019-20 represents the second year of full funding under the LCFF model it is expected that districts are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2019-20 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.

Lastly, due to the passage of AB1808 in 2018 the LCAP template for 2019-20 incorporates a new section titled “Budget Overview for Parents” which is intended to help stakeholders better understand funding decisions included in the LCAP. This bill takes an additional step towards increasing transparency over those additional supplemental and concentration dollars generated by unduplicated students.

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 Sarah Smigiera.

If you have any questions concerning the review of the district’s 2018-19 Second Interim Financial Report, please contact the undersigned.

Sincerely,

Jamie Dial
Assistant Superintendent, Business Services

CC: Todd Barlow, County Superintendent of Schools
    Paul van Loon, District Superintendent
    Julie Semas-Tellian, Assistant Superintendent, Business Services
April 15, 2019

Mr. Kelly Graham, Superintendent
Ackerman Charter District
13777 Bowman Road
Auburn, CA 95603

RE: Fiscal Year 2018-2019 Second Interim

Dear Superintendent Graham,

In accordance with the provisions of Education Code Section 42131, a review of the Ackerman Charter District’s Second Interim Report for fiscal year 2018-19 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 comment:

Negotiations

According to the information provided in the District’s Second interim budget, certificated and classified labor contract negotiations for FY 2018-19 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.

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 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 GARBOLINO-MOJICA
COUNTY SUPERINTENDENT OF SCHOOLS

GGM/jk
C. Shelly Saunders
April 15, 2019

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 2018-19 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, 2019, 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 2018-19 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 a decrease of <$279,777>. This decreases the projected ending fund balance to $1,958,141 or 19.18% of the total General Fund's budgeted expenditures and transfers out.

*If not yet completed, we recommend the District complete the Fiscal Health Risk Analysis for K-12 School Districts provided by FCMA [http://fcmat.org/fiscal-health-risk-analysis-for-k-12-school-districts/] to ensure fiscal solvency while aligning with the Governing Board's intentions.*

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

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<table>
<thead>
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<td>$2,656,628</td>
<td>$2,802,940</td>
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<td>$1,958,141</td>
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*Second Interim Projection*
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 19.13% for 2018-19, 19.26% for 2019-20, and 19.14% for 2020-21.

Enrollment and ADA
The following charts depict the District CBEDS enrollment, ADA historical trends and estimated projections.

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
<th>ADA</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>1,088</td>
<td>1,076.77</td>
<td>98.97%</td>
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<tr>
<td>2014-15</td>
<td>1,104</td>
<td>1,074.04</td>
<td>97.29%</td>
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<tr>
<td>2015-16</td>
<td>1,061</td>
<td>1,040.76</td>
<td>98.09%</td>
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<tr>
<td>2016-17</td>
<td>1,071</td>
<td>1,047.76</td>
<td>97.83%</td>
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<tr>
<td>2017-18 UA</td>
<td>1,052</td>
<td>1,035.16</td>
<td>98.40%</td>
</tr>
<tr>
<td>2018-19 Interim</td>
<td>1,030</td>
<td>1,013.08</td>
<td>98.36%</td>
</tr>
<tr>
<td>2019-20 projection</td>
<td>1,030</td>
<td>1,009.08</td>
<td>97.97%</td>
</tr>
<tr>
<td>2020-21 projection</td>
<td>1,030</td>
<td>1,005.08</td>
<td>97.58%</td>
</tr>
</tbody>
</table>

Status of Labor Negotiations and Pension Expenditures
Information reflected in the District’s interim report shows that certificated and classified labor negotiation for 2018-19 and 2019-20 are settled.

We would like to note with the rising costs in mandatory pension payments, it is advised that a multi-year STRS and PERS analysis continue to be provided comparing the increased year-over-year costs to potential LCFF increases.
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 2017-18 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 2018-19 and develop your projections for 2019-20 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 2018-19. If our office can be of further assistance, please contact me at (209) 238-1937.

Sincerely,

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

Cc: Mr. Paul Gardner, Superintendent
    Ms. Cathy Thomasson, Business Manager
    Ms. Sandi Madera, Director I, District Business Support, Stanislaus County Office of Education