



Kings County Office of Education

Todd Barlow - County Superintendent of Schools

January 16, 2020

Mr. Jason Orton, Board President
Lemoore Union High School District
5 Powell Ave.
Lemoore, CA 93245

John Dropp, Clerk

Dear Mr. Orton:

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 First Interim Financial Report submitted by the Lemoore Union High School District for the period ending October 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 multi-year projections in fiscal year 2019-20 by \$298,669 and in fiscal year 2020-21 by \$172,218. The district does not project to deficit spend in 2021-22.
- 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 at 1,871 for the current fiscal year, which is an increase of roughly 40 ADA over the prior year. 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.
- **Impact of Negotiations:** The district has indicated that negotiations have been finalized with the classified and certificated bargaining units as of the 1st interim reporting period.
- **Multi-year Projections:** With respect to the two subsequent fiscal years 2020-21 and 2021-22, 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 2020-21 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.

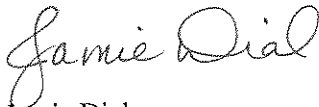
Also of note is the growing emphasis on accountability measures as outlined in each district's Local Control Accountability Plan (LCAP). As 2020-21 represents the third year of full funding under the LCFF model it is expected that districts are meeting their minimum proportionality requirement (MPP) as calculated under Title 5, California Code of Regulations, Section 15496(a). During 2020-21 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 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 Maria Contreras.

If you have any questions concerning the review of the district's 2019-20 First Interim Financial Report, please contact the undersigned.

Sincerely,



Jamie Dial
Assistant Superintendent, Business Services

CC: Todd Barlow, Superintendent
Debbie Muro, District Superintendent
Mark Howard, Director of Business Services