



# Monterey County Office of Education

Dr. Nancy Kotowski  
County Superintendent of Schools

January 28, 2016

Dr. Rupi Boyd, Superintendent  
Soledad Unified School District  
1261 Metz Road  
Soledad, CA 93960

RE: Review of First Interim Report

Dear Dr. Boyd:

Thank you for the submission of your Fiscal Year 2015-16 First Interim Report. *Education Code* 42131 requires that as part of the interim review process the County Superintendent of Schools reviews and analyzes District interim reports in accordance with State Board-approved Criteria and Standards pursuant to *Education Code* 33127. Based upon this review, the County Superintendent may either accept or change the District certification to qualified or negative as appropriate.

## I. CERTIFICATION

Based upon the review of the District financial information, we concur with the District's positive certification.

## II. BUDGET SUMMARY – GENERAL FUND

A.	Total Revenues (Form 01, Line A5 plus Line D1a plus Line D2a)	\$ 56,162,182.00
B.	Total Expenditures (Form 01, Line B9 plus Line D1b plus Line D2b)	\$ 57,285,238.00
C.	Net Decrease in Fund Balance (Form 01, Line E)	(\$ 1,123,056.00)
D.	Total Available Unrestricted Reserves General Fund (Form 01, Col. D, Accounts 9789 and 9790)	\$ 5,765,239.00
E.	Available Unrestricted Reserves expressed as a percent of Total Expenditures (Line D divided by Line B)	10.06%

Minimum Required Reserve Percentage for District: 3.00%

### III. COMMENTS/RECOMMENDATIONS

1. The evaluation of your District's first interim report is based upon an unaudited unrestricted beginning balance of \$7,941,663.01.
2. The District's calculation of the unrestricted total LCFF sources is \$45,814,119.00.
3. The school District's LCFF ADA of 4,742.61 is 46.87 higher than last year's P2 ADA; this figure does not include the county supplement.
4. 77.3% of unrestricted General Fund expenditures are allocated to unrestricted salaries and benefits.
5. The multiyear projections provided in the first interim report indicate that the District **will** be able to meet its expenditure and reserve requirements in the current year and the subsequent two years.
6. The District is projecting unrestricted deficit spending in the amount of (\$641,048.21) in 2016-17.
7. Although District projections indicate that it is able to maintain the minimum recommended reserve level, deficit spending will ultimately diminish fund balances. It is important that the District continue to closely monitor revenues and expenditures to ensure that it is able to meet its financial obligations and the minimum reserve levels in the future.
8. We note that the District has not settled the 2015-16 negotiations with the Certificated and Classified bargaining unit(s). Further, the Criteria and Standards specify that upon settlement, the District must provide the Monterey County Office of Education with a salary settlement notification that includes an analysis of the cost of the settlement and its impact on the operating budget. The governing board must certify to the validity of the cost analysis. The public disclosure documents prepared in compliance with *Government Code* Section 3547.5, as amended by AB 2756, Chapter 52, can be submitted in lieu of the cost analysis.

The public disclosure documents must have the signature of the District Superintendent and the District Chief Business Officer certifying the District is able to meet the cost of the collective bargaining agreement. The public disclosure documents must also be signed by the District Superintendent or designee at the time of the public disclosure and by the President or Clerk of the Governing Board at the time of the formal board action on the bargaining agreement.

9. Items solely of a technical nature have been forwarded directly to the District's chief business official.

#### IV. GENERAL INFORMATION

Districts are facing increasing pressure to improve outcomes for students. Every District faces its own particular set of educational challenges, and there is no "one size fits all" plan. Similarly, every District faces its own particular set of financial risk factors based upon current reserve levels, enrollment trends, bargaining agreements, degree of revenue volatility and various other local and statewide factors.

Each District's unique situation combined with a dynamic and uncertain operating environment make the importance of maintaining adequate reserves and maintaining fiscal flexibility more imperative than ever. Building in contingencies for emerging and fixed expenditure obligations such as increasing employer contributions to employee retirement systems, impacts of the Affordable Care Act, the rising costs of health insurance, AB 1522 sick leave accrual for part-time employees, pressure to prefund other post-employment benefits (OPEB) programs, and future facility needs are factors for every District to consider.

Districts are advised to use the FCMAT LCFF Calculator and appropriate planning factors based upon School Services dashboard in building multiyear projections. If alternate assumptions are used, the source of those assumptions and the reasons for adopting them should be clearly documented. Transparency is essential for maintaining a District's credibility. Clearly communicating and explaining budget assumptions to stakeholders is critical.

The recommendations and comments that appear in this document are based upon an in-depth review of the District's interim documents, and an analysis of the District budget as measured by Criteria and Standards adopted by the State Board of Education. We want to thank Cesar Vega for the timely submission of the First Interim Report. If you have any questions, please do not hesitate to contact me at (831) 755-0308.

Sincerely,

Garry P. Bousum  
Associate Superintendent  
Finance and Business Services Division



Colleen Stanley  
Executive Director of Finance

cc: Dr. Nancy Kotowski, Monterey County Superintendent of Schools  
Cesar Vega, Chief Business Official, Soledad USD  
Fernando Cubias, Fiscal Director, Soledad USD  
Karen Hennessy, Director, District Advisory Services, MCOE  
Marvalee English, Financial Analyst, MCOE