



2240 Old River Road
Ukiah, CA 95482-6156

Ph. (707) 467-5001
Fax (707) 462-0379

MICHELLE HUTCHINS
Superintendent of Schools

SERVICE

EXCELLENCE

INNOVATION

TEAMWORK

September 15, 2023

Warren Galletti, Superintendent
Members, Board of Trustees
Point Arena Schools District
P.O. Box 87
Point Arena, California 95468

Dear Superintendent Galletti and Members of the Governing Board:

In accordance with Education Code sections 52070 and 42127, the Mendocino County Office of Education has reviewed the Adopted Budget and LCAP of the Point Arena Schools District for fiscal year 2023-24. By statute, the adopted budget review must be completed by September 15 of each year, and the LCAP review must be completed by October 8. The District's adopted budget was reviewed to determine if it complies with the Criteria and Standards for financial stability and allows the District to meet its financial obligations for the budget and two subsequent years.

The District's Adopted Budget has been analyzed in the context of the May Revision to the Governor's budget proposal for the 2023-24 year, as well as the 2023-24 Adopted State Budget and related trailer bills that were approved subsequent to the District's budget adoption, along with the County's approval of the District's 2023-24 Local Control and Accountability Plan (LCAP).

2023-24 Adopted Budget and LCAP of the Point Arena Schools District

Based on our analysis, the County Office has concluded the District has met the necessary requirements and therefore **approves** the District's budget and LCAP as adopted by the District Board of Trustees.

ADOPTED BUDGET

As adopted by the District's Governing Board, the 2023-24 budget reflects an ending fund balance in the General Fund of \$2,302,356 comprised of \$1,553,591 in unrestricted fund balance and \$748,766 in restricted fund balance. The minimum state reserve level of 4% for a district of your size has been met. In 2024-25 and 2025-26, the General Fund multi-year projection reports unrestricted deficit spending of \$(134,991) and \$(104,911) respectively. Even though the District meets minimum reserve requirements, the County Office remains concerned about on-going deficit spending in the two subsequent years. We urge the District to review and monitor revenues, expenditures and fund balances of all funds and take appropriate action to bring revenues and expenditures into alignment.

LOCAL CONTROL ACCOUNTABILITY PLAN

Regarding our review of the district's LCAP, the Education Code requires the county superintendent to approve the plan for each school district after determining all the following:

- The LCAP adheres to the template adopted by the State Board of Education.
- The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP.
- The LCAP adheres to the expenditure requirements for funds apportioned based on the number and concentration of unduplicated students pursuant to Sections 42238.02 and 42238.03.

Through the review and oversight process, it has been determined that your District's LCAP meets all three criteria.

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to low-income, English learner and foster youth student populations. To properly serve these targeted student groups who generated the funding, it is expected that S&C grant dollars be fully expended in each fiscal year. In reviewing your LCAP we see that S&C funds were fully expended in 2022-23 resulting in zero carryover of S&C dollars.

CHARTER SCHOOL

As the authorizing agency of the Pacific Charter school the District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance, budgeting and payroll. Please see Education Code Section 47604.32 for a detailed list of oversight duties.

The District should continue to review the charter budget reports at each cycle: Budget, first interim, second interim, and unaudited actuals. It is also the District's responsibility to transmit these reports to our office by the state required deadline. Please coordinate with the charter school in advance to ensure all deadlines are met. Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify this office as soon as possible.

CONCLUSION

In these times of uncertainty, districts are reminded that financial pressures are prevalent, even with the large influx of one-time dollars. Base costs of step and column, health benefits, and especially retirement contributions will continue to increase but one-time dollars will eventually be gone. It is important during these times that school districts stay proactive and cautious by developing budgets and contingency plans that allow the most flexibility in resource allocation as possible so that they can quickly react to unexpected decreases in revenues and/or unexpected increases in expenditures.

We anticipate a timely year-end closing of the 2022-23 financial records by the district, along with the annual audit by the district's external auditors, which will determine the actual beginning fund balances for 2023-24 and audited ending balances for 2022-23. These actions will ultimately affect the availability of reserves for the 2023-24 operating budgets. The audit report is due to our office on or before December 15, 2023.

ACKNOWLEDGEMENT

We want to acknowledge and express our appreciation to the district's staff, the governing board, and the community for their continued diligence and hard work. If you have any questions or concerns regarding our review process, please feel free to contact me.

Sincerely,

Penny Lauseng, MBA
Assistant Superintendent of Business Services
Mendocino County Office of Education

cc: Catherine Chin, Business Manager, Point Arena Schools District
Shane Hildebrand, Assistant Superintendent of Educational Services, MCOE
Michelle Ebert, Director of External Fiscal Services, MCOE