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DATE: September 14, 2016

TO: Mrs. Susan Scott, District Superintendent
Mr. Dean Primmer, Board President
Desert Center Unified School District

FROM: Kenneth M. Young, Riverside County Superintendent of Schools

BY: Teresa Hyden
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Chief Academic Officer
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Subject: **2016-17 ADOPTED BUDGET and LCAP - APPROVAL**

The County Superintendent of Schools is required to review and approve the district's Local Control and Accountability Plan or the annual update to an existing Local Control and Accountability Plan prior to the approval of the district's Adopted Budget [Education Code Section 42127(d)(2)].

Adopted Local Control and Accountability Plan

In accordance with California Education Code (EC) Section 52070, our office has completed its review of the district's 2016-17 Local Control and Accountability Plan (LCAP) to determine whether it adheres to the guidelines adopted by the State Board of Education (SBE).

The district's adopted LCAP has been analyzed to determine whether:

- The plan adheres to the template adopted by the State Board of Education;
- The budget includes sufficient expenditures to implement the actions and strategies included in the plan, based on the projected costs included in the plan; and
- The plan adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated pupils.

The district's adopted LCAP has been analyzed in the context of the guidance provided by the California County Superintendents Educational Services Association (CCSESA) and the California Department of Education (CDE). Based on our analysis, the district's Local Control and Accountability Plan for the 2016-17 fiscal year has been approved by the Riverside County Superintendent of Schools. However, following are commendations and suggestions for the implementation of the plan and the development of the *Annual Update* and the 2017-18 LCAP.

Stakeholder Engagement

The district is to be commended for responding to stakeholder group input by making changes in their plan reflected in the budget and instructional program.

Student Achievement

Closing the achievement gap and ensuring all students are prepared for college and career is a priority under the Local Control Funding Formula (LCFF). We recommend that the district strengthen the plan by collecting regular student assessment data over the course of the school year and using that data to develop specific *Expected Annual Measurable Outcomes* related to student achievement.

Monitoring Progress and Assessing Effectiveness

In order to be responsive to those actions that are working or not working, we continue to recommend utilizing a process that continually assesses the progress of each planned action and its effectiveness in reaching the *Expected Annual Measurable Outcomes* specified in your plan. Identifying leading indicators for progress on goals that can be shared with stakeholders on a regular basis will increase the community commitment to the plan. This will also allow you to clearly articulate, in the *Annual Update* section of the plan, whether the planned actions/services were effective. The statements of effectiveness must go beyond the mere indication of whether the action was completed or not and should clearly articulate the effect the action had on achieving the desired outcomes for all students or identified student subgroups for the specified goals.

Additional Metrics to Consider

The purpose of the LCAP is to ensure that all students graduate from high school with the skills to be successful in both college and career. This work cannot wait until high school, nor can it be successful without more specific focus by grade level and by subgroup. Desert Center has the unique opportunity to ensure every single student goes to high school ready for rigorous coursework.

A focus group was convened by the Riverside County Office of Education in 2014-15 to review research on K – 12 college readiness indicators and identify those that would align with the LCAP and have greatest impact. As a result of the focus group research, we recommend that LEAs consider additional college readiness indicators for various grades including but not limited to:

- Score of Level 3 or Level 4, “Standard Met” or “Standard Exceeded,” as indicated on the Smarter Balanced Summative Assessment in Reading and Mathematics at grades 3, 5, 8, and 11 by subgroup. (State Priority 4)
- Chronic absentee rates by grade level and subgroup at the following grades – Kindergarten, 1, 2; last grade of elementary (5 or 6); first grade of middle school (6 or 7); first grade of high school (9 or 10). (State Priority 5)
- Percent of students earning passing grades – C or better – in English and Mathematics at the exit grades from elementary (5 or 6) and middle school (8 or 9) by subgroup and gender. (State Priority 8)
- Suspension and expulsion rates by subgroup and gender for “disproportionality.” (State Priority 6)

Describing Use of Supplemental and Concentration Grant Funds and Proportionality

The purpose of the LCAP *Section 3* is to ensure that all unduplicated and underperforming students receive increased or improved services in proportion to the increased funding received to serve those

identified students in order for them to graduate from high school with the skills to be successful in both college and career.

In *Section 3B*, the district is asked to describe how services for the unduplicated students have increased or improved as compared to services provided to all students in proportion to the increase in funding received to serve those students. This is a cumulative process of increasing services until the district is fully funded.

We recommend in *Section 3B* that the district broadly describe the services identified in the LCAP from the previous year(s), and then describe those services being added in the current LCAP year, which is 2016-17. This demonstrates that the district is maintaining and building its support for unduplicated students proportionally each year and increases the transparency of the plan for the stakeholders. This will be important as, by 2020-21, this section will need to demonstrate that the district has increased or improved services to reflect 100 percent of its supplemental and concentration funds at full implementation.

Adopted Budget

In accordance with California Education Code (EC) Section 42127, our office has completed its review of the district's 2016-17 Adopted Budget to determine whether it complies with the criteria and standards adopted by the State Board of Education (SBE) and whether it allows the district to meet its financial obligations for the 2016-17 fiscal year, as well as satisfy its multi-year financial commitments.

The district's Adopted Budget has been analyzed in the context of guidance provided by our office, based on the Governor's 2016-17 May Budget Revision. Based on our analysis of the information submitted, we approve the district's budget, but note the following concern:

- *Declining Enrollment* – The district's projections indicate declining enrollment for the current year and flat enrollment for the two subsequent years.

The following pages provide further details on the district's 2016-17 Adopted Budget. In addition to this analysis, current law as enacted through AB 2756 (Chapter 52, Statutes of 2004) also requires the County Superintendent to review and consider any studies, reports, evaluations, or audits that may contain evidence a district is showing fiscal distress. Our office did not receive any such reports for the district.

Property Taxes – As a "basic aid" district, the district's primary revenue source is property taxes. Our office recommends the district closely monitor actual property tax receipts throughout the year and revise its budget and multi-year financial projections accordingly.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 72.73 percent for 2016-17, 81.67 percent for 2017-18, and 83.33 percent for 2018-19. The district's unduplicated pupil percentage included in the 2015-16 P2 certification by the California Department of Education is 69.35 percent.

Employee Negotiations – As of the board date, June 14, 2016, the district reports salary and benefit negotiations are complete with both the certificated and classified bargaining units for the 2016-17 fiscal year. The agreements provided for an 8.0 percent increase beginning July 1, 2016, and a 6.0 percent increase beginning July 1, 2017, to the district's existing certificated and classified salary schedules. Additionally, the agreements provided for a \$652 health and welfare benefit cap increase (from \$12,348 to \$13,000) for eligible full-time unit members enrolled in district health plans in the 2016-17 fiscal year.

The district's adopted budget was developed prior to adoption of the 2016-17 Adopted State Budget. Actual state budget data should be reviewed and incorporated into the district operating budget and multi-year projections during the First Interim Reporting process.

During our review of the district's Local Control and Accountability Plan, we noted the following:

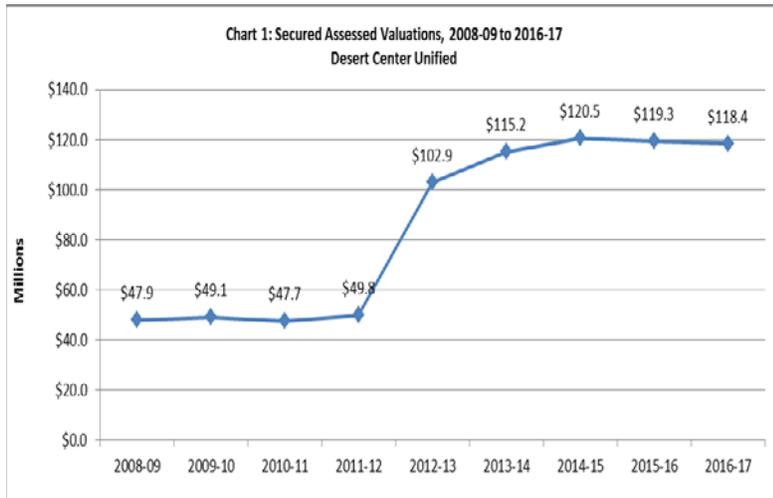
- The district's LCAP included *Section 4: Expenditure Summary* which is not part of the template adopted by the State Board of Education. We recommend that the section be removed from the district's posted LCAP and that it be disclosed to your board. In like manner, that section will not be included on the County's posting of the district's LCAP.
- The percentage in *Section 3B*, by which services for unduplicated pupils must be increased and/or improved as compared to the services provided to all pupils for 2016-17, did not correspond with the district's Local Control Funding Formula Minimum Proportionality calculation. It was our recommendation that *Section 3B* be modified to 21.20%. The district implemented our recommendation.
- The amount of funds in *Section 3A*, calculated on the basis of the number and concentration of Low Income, Foster Youth, and English Learners, did not correspond with the district's Local Control Funding Formula Minimum Proportionality calculation. It was our recommendation that *Section 3A* be modified to \$30,287. The district implemented our recommendation.
- Each action in the *Annual Update* section requires an estimated actual annual expenditure amount. We recommended that an amount be added to each action, even if zero. The district implemented our recommendation.
- The budgeted expenditures for each action/service for each school year requires the district to reference all funding sources for each proposed expenditure which must be classified using the California School Accounting Manual (CSAM) as required by Education Code sections 52061, 52067, and 47606.5. We recommended an expenditure and funding source be added for each action. The district implemented our recommendation.
- Supplemental and Concentration grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. If S&C grant funds, used to serve the targeted pupil population, have been underinvested each fiscal year, it may be difficult for the district to demonstrate the minimum proportionality percentage at full implementation.

Our office commends the district for its efforts thus far to preserve its fiscal solvency and maintain a quality education program for its students. If we can be of further assistance, please do not hesitate to contact our office.

2016-17 Adopted Budget Report

Desert Center Unified School District

Property Taxes

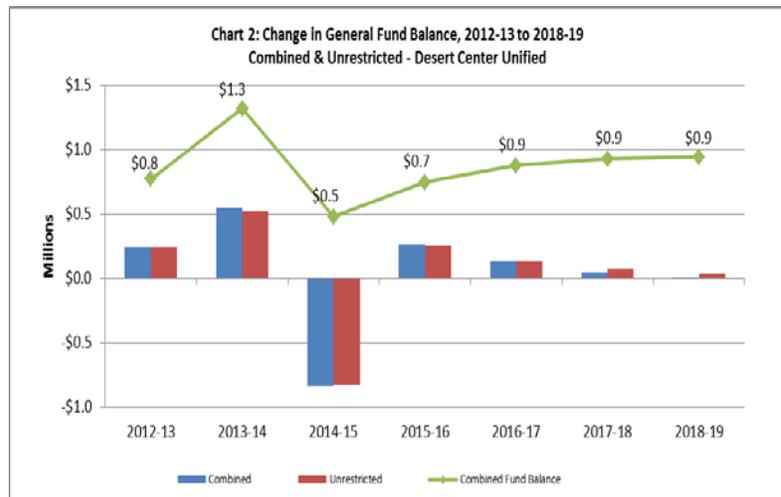


As a “basic aid” district, the district’s primary revenue source is property taxes. For 2016-17, the district has projected nearly the same level of property tax revenues as 2015-16 estimated actuals. The Riverside County Assessor’s Office has estimated secured assessed valuations will increase by 5.08 percent countywide in 2016-17. The actual change will vary by district, and the Assessor’s Office is projecting Desert Center’s secured assessments will decrease by 1.0 percent in 2016-17. Our office recommends the district

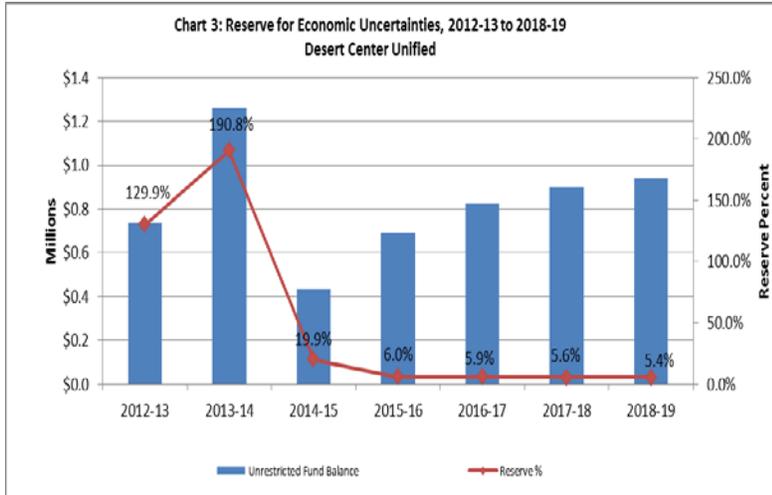
maintains its current revenue projections and closely monitors actual property tax receipts. Chart 1 displays a historical summary of the district’s assessed valuations.

Fund Balance

The district’s Adopted Budget indicates a positive ending balance for all funds in the 2016-17 fiscal year. Chart 2 shows the district’s deficit spending historical trends and projections.



Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Desert Center Unified's size is \$66,000. According to the multi-year financial projections, the district has reserves of \$65,000 for the current and subsequent fiscal years and will adjust to \$66,000 at First Interim. Chart 3 displays a summary of the district's actual and projected unrestricted General Fund balance and reserves.

Cash Management

Chart 4 provides a historical summary of the district's June 30th General Fund cash balance. Based on the budget's cash flow analysis, the district projects a positive General Fund cash balance of \$0.9 million as of June 30, 2017. This balance does not include any temporary borrowings, and the district's internal cash resources appear sufficient to address cash flow needs in the current year.

