


March 21, 2019

TO: David Bautista, Adelante - Principal

FROM: Meg Jetté, Assistant Superintendent of Business Services
Santa Barbara Unified School District 

SUBJECT: Second Interim Financial Report and Analysis and Recommendations

In accordance with provisions of Education Code Section 47604.33, Second Interim financial reports for all school districts and their charters are due annually by March 15. Its Board approved the Adelante's Second Interim on March 4, 2019.

It appears the Charter will be able to meet its financial obligations for the current and two subsequent fiscal years, while maintaining the required minimum reserve level for economic uncertainties. We therefore, concur with the Charter's positive certification.

This letter discusses the areas of comment noted by the Santa Barbara Unified School District in its review of Adelante's Second Interim Financial Report, and any corresponding supplemental information provided by the Charter. Any specific findings, comments and requested actions are reflected in the following sections.

General Operational Fund

Adelante Charter is projecting a surplus in its operating budget of approximately \$62,456. The Charter has set aside \$153,255, or 5 percent of total general fund expenditures, for its minimum reserve. The Charter's projected unassigned ending fund balance is \$1,266,499.

The Charter has based its funding on the estimated P-1 ADA; however, funding is based on P-2 ADA.

Revenue

The Charter mentions in its narrative that the increase is due to a LCFF COLA increase of .7%, yet this increase was captured in its first interim. It appears the Charter has increased its ADA from 275.50 to 279.21, which accounts for the increase.

Multi-year Deficit Spending

In our review of the Charter's multi-year projections, we noted that the Charter is projecting to have a surplus over the next two subsequent years, and that they will meet its reserve levels for these years, as well. However, Health and Welfare dropped from \$94,000 to \$62,000, and with the cost of insurance going up, it is unlikely that these benefits would decrease. We caution the Charter to monitor, not only its overall expenditures, but closely monitor its health and pensions costs for the two subsequent years and make the necessary adjustments.

In-Lieu-of Property Taxes

The chartering agency is only required to pay in-lieu-of property taxes up the Charter's LCFF Base Grant Entitlement and Class Size Reduction (CSR). This ensures two things: 1) the Charter does not become basic aid/community funded, and that 2) the state contributes to the Charter's school funding.

In Closing

Thank you for providing the second interim, cash flow narrative and particularly the Board approved multi-year projections, which support the Charter's positive certification. However, in the future please provide a *narrative along with the multi-year projections and the supporting documents for the year-to-date actuals*.

I look forward to reviewing the Charter's board approved 2019-20 Adopted Budget, due to the district no later than June 30, 2019. Please include the following supporting documentation:

- The Charter's budget with narrative
- FCMAT LCFF calculator
- Cash flow statements
- Multi-year projections
- **MYP assumptions and narrative**

I appreciate the Charter's cooperation during the review regarding the Second Interim.

C D. Paszkeicz, President, Adelante Charter School Governing Board
Theresa Thompson, Charter Impact