



3939 Thirteenth Street  
P.O. Box 868  
Riverside, California  
92502-0868  
(951) 826-6530

47-110 Calhoun Street  
Indio, California  
92201-4779  
(760) 863-3000

24980 Las Brisas Road  
Murrieta, California  
92562-4008  
(951) 600-5651

**Riverside County  
Board of Education**

Jeanie B. Corral

Ray "Coach" Curtis

Bruce N. Dennis

Barbara Hale

Susan J. Rainey, Ed.D.

Elizabeth F. Romero

Wendel W. Tucker, Ph.D.

**DATE:** September 14, 2016

**TO:** Dr. Douglas Kimberly, District Superintendent  
Mr. Juan Saucedo, Board President  
Mrs. Arleen Sanchez, Interim Chief Business Official  
Dr. Alain Guevara, Assistant Superintendent  
Lake Elsinore Unified School District

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

**BY:** Teresa Hyden  
Chief Business Official  
(951) 826-6790

Cynthia Glover Woods  
Chief Academic Officer  
(951) 826-6648

**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.

**2015-16 Plan Implementation**

In the *Annual Update*, the district provided specific data in the *Actual Annual Measurable Outcomes* aligned to the *Expected Annual Measurable Outcomes (EAMOs)*. Data was differentiated by subgroup for various metrics and the district indicated if each EAMO was met or not met. An *assessment of the effectiveness of specific actions* was included for most Actions/Services to indicate if the LEA was effective at implementing particular actions/services or meeting particular targets. Finally, changes in actions, services, and expenditures were described within each goal.

We recommend that the district continue to refine the *assessment of effectiveness of specific actions* to include both implementation data and well as outcome data. Additionally, to strengthen the plan, provide more detail in your actions/services to correlate how the action/service will result in improvement in student achievement outcomes. It is also recommended that the district clarify terminology in Actual Actions/Services for the benefit of accurate stakeholder interpretation. For example, Goal 11, Action/Service C. indicates, “*The increased awareness of A-G requirements has effectively improved students' opportunities to attend college.*” Perhaps explain what “increased awareness of A-G” means and how it is effective at increasing opportunities to attend college.

**Stakeholder Engagement**

In a review of the *Stakeholder Engagement* section, the plan provided a clear description of stakeholder engagement and impact on the *Annual Update*. The district described a method to monitor progress during the 2015-16 school year including data-sharing at monthly LCAP meetings, monthly best practice meetings, and Superintendent’s Roadshows. The narrative also reflects the district’s effort to improve the plan for 2016-17 by including the statement “*as a result of this input, LCAP committee members determined that the previous plan, with 13 goals, was cumbersome and somewhat redundant, making it difficult for all stakeholders to focus efforts...*” The final paragraph indicates the reason for differences between *budgeted/planned expenditures* and *actual expenditures*. More specific statements about budget discrepancies are also included in the *Annual Update* portion of *Section 2*.

In the spirit of continuous improvement, it is recommended that the district disaggregate feedback from survey results by stakeholder group and, when possible, by subgroup.

**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). As noted in the table below, significant gaps are evident between subgroups and between all students in comparison to statewide performance.

Metric	State Average	White	African American	Hispanic	English Learner	Low Income	Students w/ Disabilities
% of Lake Elsinore USD		31.0	4.2	57.3	13.9	65.6	11.8
% UC A-G Enrollment		91.8	93.1	93.2	93.4	92.3	67.4
% UC A-G Completion	48.6	30.9	32.2	28.0	1.9	24.4	5.5
% EAP – ELA / Math	23.0 / 11.0	25.1 / 6.2	14.0 / 5.3	15.0 / 5.1	1.1 / 0.0	15.1 / 4.1	2.3 / 0.0
% CAASPP – ELA / Math	44.1 / 33.8	43.1 / 29.8	31.7 / 17.5	28.8 / 16.9	6.1 / 5.9	27.8 / 17.2	8.0 / 5.1
% Graduation	82.3	91.7	87.8	88.5	75.7	87.4	74.0
% Suspension	3.80	4.80	11.23	6.60	5.54	7.63	11.98

It is evident that the district used disaggregated data for several required and local metrics based on the subgroup data included in the *Identified Need* and *Expected Annual Measurable Outcomes* (EAMOs) for several Goals in *Section 2*. It is recommended that the district consider setting differentiated and accelerated subgroup targets in the *Expected Annual Measurable Outcomes* (EAMOs). For example, now that baseline scores have been identified on the California Assessment of Student Performance and Progress (CAASPP), consider setting differentiated improvement targets for those significant subgroups that are performing below the state average, the district average, and/or below the highest performing subgroup. We encourage you to consider setting aspirational and challenging EAMO targets for all outcomes and for all subgroups. This would be supported by differentiating actions to accelerate underperforming subgroups based on data and priorities. Closing the achievement gap and ensuring all students are prepared for college and career is a priority under the Local Control Funding Formula (LCFF). Examples:

- In Goal 3, the district indicates the A-G completion rate is 463 students/29.8 percent. This is significantly below the state average for A-G completion (48.6 percent). The district indicates that subgroup data is unavailable however this data can be accessed through CALPADS demonstrating that several subgroups have increased in A-G completion rate including African American students (from 20.5 to 32.2 percent), Hispanic students (from 23.7 to 28 percent), Low Income students (22.1 to 24.4 percent) and Students with Disabilities (from 1.9 to 5.5 percent) while English Learners have decreased (from 2.8 to 1.9 percent). The EAMO for this metric is a 2 percent increase of students who are A-G and/or Career Technical Education (CTE) completers. With a similar target for all student subgroups, this maintains the district gap with the state average and does not close the achievement gap for any subgroups. We recommend including accelerated and differentiated targets for subgroups based upon the size of the gap and identifying research-based actions/services that, when implemented with fidelity, will have a positive impact on student outcomes.
- In Goal 3, the district includes the following outcome: “2 percent more students (based on 2015-16 data) will pass Early Assessment Program (EAP) exams to demonstrate college readiness.” Overall, the district, with the exception of the White and Asian subgroups, performs below the state average in EAP English Language Arts (ELA) and Math. There are several subgroups including English Learners and Students with Disabilities at 0 percent *college ready* in mathematics and significantly below the state and district average in ELA. In most subgroups, performance in ELA is also below the state average. We recommend including accelerated and differentiated targets for those subgroups based upon the size of the gap and identifying research-based actions/services that, when implemented with fidelity, will have a positive impact on student outcomes.
- In Goal 1, the district includes an outcome to increase the graduation rate by 5 percent. While the district average at 89.7 percent exceeds the state average, most subgroups are graduating at high rates, and every subgroup increased from prior year, there is still a significant gap for English Learners (75.7 percent) and Students with Disabilities (74 percent). We recommend including accelerated and differentiated targets for those subgroups based upon the size of the gap and identifying research-based actions/services that, when implemented with fidelity, will have a positive impact on student outcomes.

### **English Learners Progress Toward English Proficiency**

One of the LCAP goals includes the following metric for the progress of English Learners toward English proficiency, “1 percent increase in the number of students demonstrating progress toward English proficiency as measured by the CELDT. The 2014-15 percentage of students increasing at least one level was 62.5 percent.”

Noted in the table below is the Title III Annual Measurable Achievement Objectives (AMAO) data. According to the 2015-16 Title III Accountability Report as well as historic AMAO data, the performance of students in AMAO 2a and AMAO 2b has exceeded the federal target. Lake Elsinore did not meet AMAO 1 for 2015-16.

Title III Annual Measurable Achievement Objectives (AMAO) Trends									
	AMAO 1			AMAO 2a (Less Than 5 Years Cohort)			AMAO 2b (5 Years or More Cohort)		
	LEUSD	Target	Met?	LEUSD	Target	Met?	LEUSD	Target	Met?
2015-2016	60.3%	62.0%	No	27.7%	25.5%	Yes	55.5%	52.8%	Yes
2014-2015	62.1%	60.5%	Yes	23.5%	24.2%	No	56.7%	50.9%	Yes
2013-2014	59.5%	59.0%	Yes	25.0%	22.8%	Yes	58.2%	49.0%	Yes
2012-2013	57.3%	57.5%	No	23.6%	21.4%	Yes	57.0%	47.0%	Yes

Although the 2016-17 Title III accountability data will be published after the 2016-17 LCAP is developed and approved, it is recommended that the district review data for 2015-16 performance and identify formative measures of English Learner progress and intervene immediately if actions are not producing expected results. Continue identifying additional actions that accelerate the achievement of English Learners.

**Monitoring Progress**

In the *Stakeholder Engagement* section, it is evident that the district has initiated a process to monitor implementation of LCAP actions and services each year including data sharing at monthly LCAP meetings, monthly best practice meetings, and Superintendent’s Roadshows. In order to be responsive to those actions that are working or not working, consider extending this monitoring to sites to frequently assess the progress of each planned action and adjust as needed to ensure all goals are achieved. Inclusion of *implementation* data, such as indicated in Goal 2 “*collect and analyze data about implementation of state standards from classroom walk-through observations*” in addition to outcome data would provide additional information to stakeholders about the implementation of planned actions/services and inform adjustments as necessary to ensure goals are achieved. 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.

**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.

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)
- Percent of students failing two or more classes at grade 9 by subgroup and gender. (State Priority 8)

### **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.

*Section 3A*, should include a description of, and justification for, the use of any funds in a districtwide or schoolwide manner. Having a high population of unduplicated students is not, in and of itself, a justification for districtwide and/or schoolwide use. In addition, when funding is allocated to schools for schoolwide use, the district indicates that “*Schools receive a monthly budget report from the Fiscal Office. The purpose of this report is for the site leadership to monitor their allocated funds to ensure the needs of targeted students are met. School site leadership are encouraged to actively involve the School Site Council in the creation and monitoring of all site resources. School leaders annually report to the LCAP Committee regarding their progress toward meeting District LCAP goals.*” In addition to accounting for funds in monthly budget reports, the LCAP would be strengthened by a description of how the district will ensure that the schools are implementing actions funded with supplemental and concentration dollars and how those actions are effective in meeting the district’s goals in the eight state priority areas.

In *Section 3B*, it is noted that the district described the services identified in the LCAP from the previous year(s), and then described 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. It is recommended that the district further articulate how these services are principally directed toward unduplicated pupils.

### **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 concerns:

- *Flat Enrollment* – The district’s projections indicate flat enrollment for the current and two subsequent fiscal years.

- *Cash* – The district’s General Fund cash balance is not sufficient to cover cash flow needs throughout the 2016-17 fiscal year.
- *Negative Ending Fund Balance* – The district is projecting a negative ending fund balance of \$2.1 million in the Self Insurance Fund. The negative ending balance is the result of a prior year audit adjustment for the fund’s claims liability.
- *Audit Finding* – The 2014-15 audit report included a finding which indicated the district deficit spent \$8.1 million in the 2012-13 fiscal year and \$2.3 million in the 2013-14 fiscal year. The audit report further indicated concerns with ongoing external borrowing and cash flow. Additionally, the report stated the district was unable to meet the suggested economic reserve of 3.0 percent in the General Fund for the 2014-15 fiscal year resulting in a negative certification which suggested that the district may not meet its financial obligations in the upcoming three years. The district continues to work on the execution of the fiscal stabilization plan. The fiscal stabilization plan includes the following:
  - Establish a 3.0 percent cash balance of approximately \$6.0 million.
  - Eliminate deficit spending.
  - Maintain a state-required 3.0 percent unrestricted reserve level.
  - Continue inter-fund transfers for the June 30, 2014 audit adjustment.
  - Update the progress of the fiscal stabilization plan with interim reports.

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.

*LCFF Gap Funding* – For purposes of determining the potential gap funding increase, the district has estimated 54.84 percent for the 2016-17 fiscal year, 73.96 percent for 2017-18, and 41.22 percent for 2018-19. The district will evaluate and reduce expenditures as necessary should gap funding increases not materialize.

*Unduplicated Pupil Percentage* – The district reports an unduplicated pupil percentage of 66.38 percent for 2016-17 and 2017-18 and 66.37 percent for 2018-19. The district’s unduplicated pupil percentage included in the 2015-16 P2 certification by the California Department of Education is 66.55 percent.

*Employee Negotiations* – As of the board date, June 23, 2016, the district reports salary and benefit negotiations continue with both the certificated and classified bargaining units for the 2016-17 fiscal year. Prior to entering into a written agreement, California Government Code (GC) Section 3547.5 requires a public school employer to publicly disclose the major provisions of a collective bargaining agreement, including but not limited to, the costs incurred in the current and subsequent fiscal years. The disclosure must include a written certification signed by the district superintendent and chief business official that the district can meet the costs incurred by the district during the term of the agreement. Therefore, please make available to the public and submit a disclosure to our office at least ten (10) working days prior to the date on which the governing board is to take action on a proposed agreement.

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:

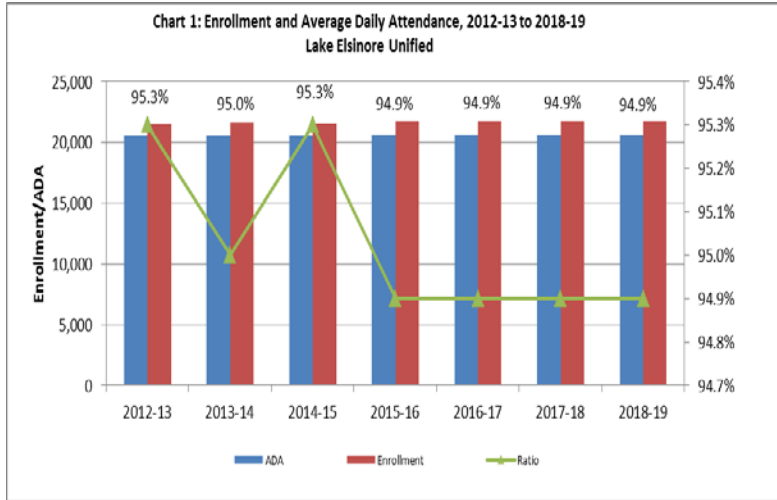
- The district's LCAP included *Section 4: Expenditure Summary* which is not part of the template adopted by the State Board of Education. We recommend that the section be removed from the district's posted LCAP and that it be disclosed to your board. In like manner, that section will not be included on the County's posting of the district's LCAP.
- The 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 \$21,114,292. The district implemented our recommendation.
- 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 12.98 percent. 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 a funding source be added for each action. The district implemented our recommendation.
- Supplemental and Concentration (S&C) 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

### Lake Elsinore Unified School District

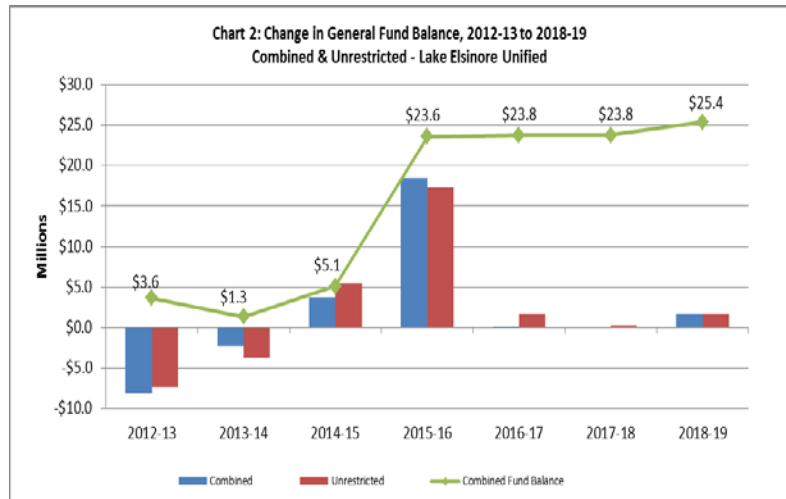
#### Enrollment and Average Daily Attendance (ADA)



The district's projected ADA to enrollment ratio (capture rate) for 2016-17 is 94.9 percent, which is lower than the historical average ratio for the three prior fiscal years. The district estimates 20,602 ADA for the current fiscal year, or relatively no change from the 2015-16 P-2 ADA. For 2017-18 and 2018-19, the district projects ADA to remain flat.

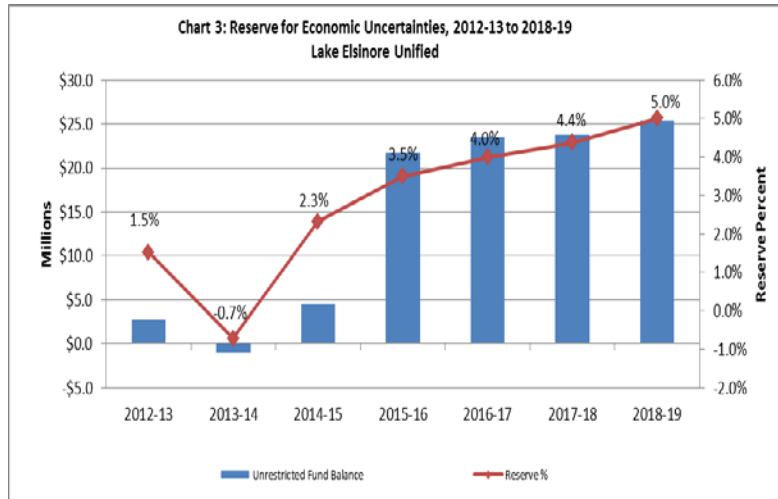
#### Fund Balance

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





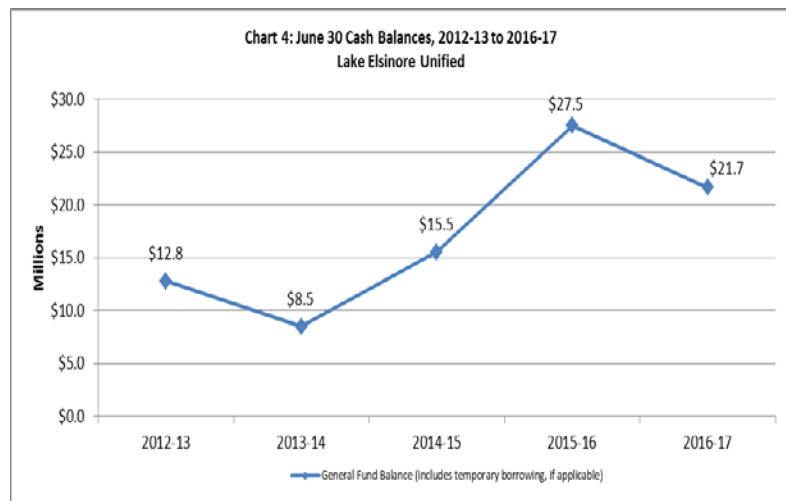
## Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Lake Elsinore Unified's size is 3.0 percent. Chart 3 displays a summary of the district's actual and projected unrestricted General Fund balance and reserves. The district projects to meet the minimum reserve requirement in the current and subsequent fiscal years.

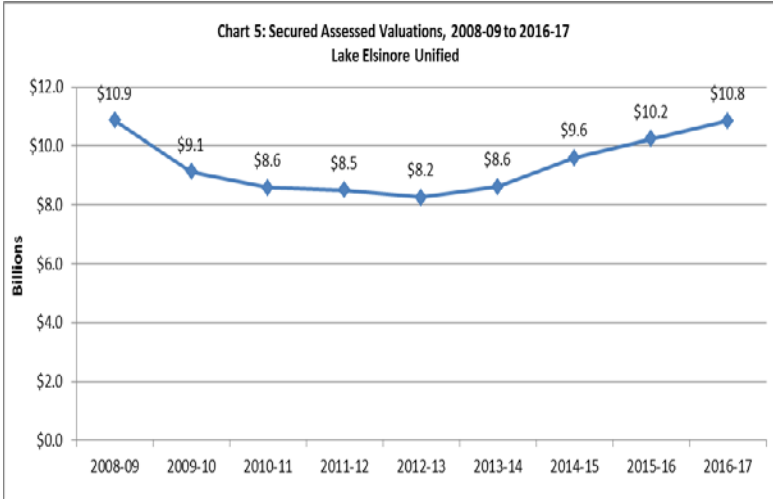
## Cash Management

The district currently has a \$14.8 million 2016-17 tax and revenue anticipation note (TRAN) with repayments scheduled for January and April 2017. Chart 4 provides a historical summary of the district's June 30<sup>th</sup> General Fund cash balance. Based on the budget's cash flow analysis, the district projects a positive General Fund cash balance of \$21.7 million as of June 30, 2017. This balance does not include any temporary borrowings, but does not appear sufficient to cover July 2017 expenditures (estimated at \$22.4 million). Our office recommends the district continue to closely monitor cash in all funds to ensure sufficient resources are available. In addition, our office strongly advises districts to consult with legal counsel and independent auditors prior to using *Cafeteria Special Revenue Fund (Fund 13)* for temporary interfund borrowing purposes to remedy cash shortfalls.



---

## Assessed Valuations



The Riverside County Assessor's Office has estimated secured assessed valuations will increase by 5.08 percent countywide in 2016-17. Chart 5 displays a historical summary of the district's secured property tax assessed valuations.