FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Amador County Unified School District

Fiscal Health Risk Analysis

October 31, 2019

Michael H. Fine
Chief Executive Officer

Contents

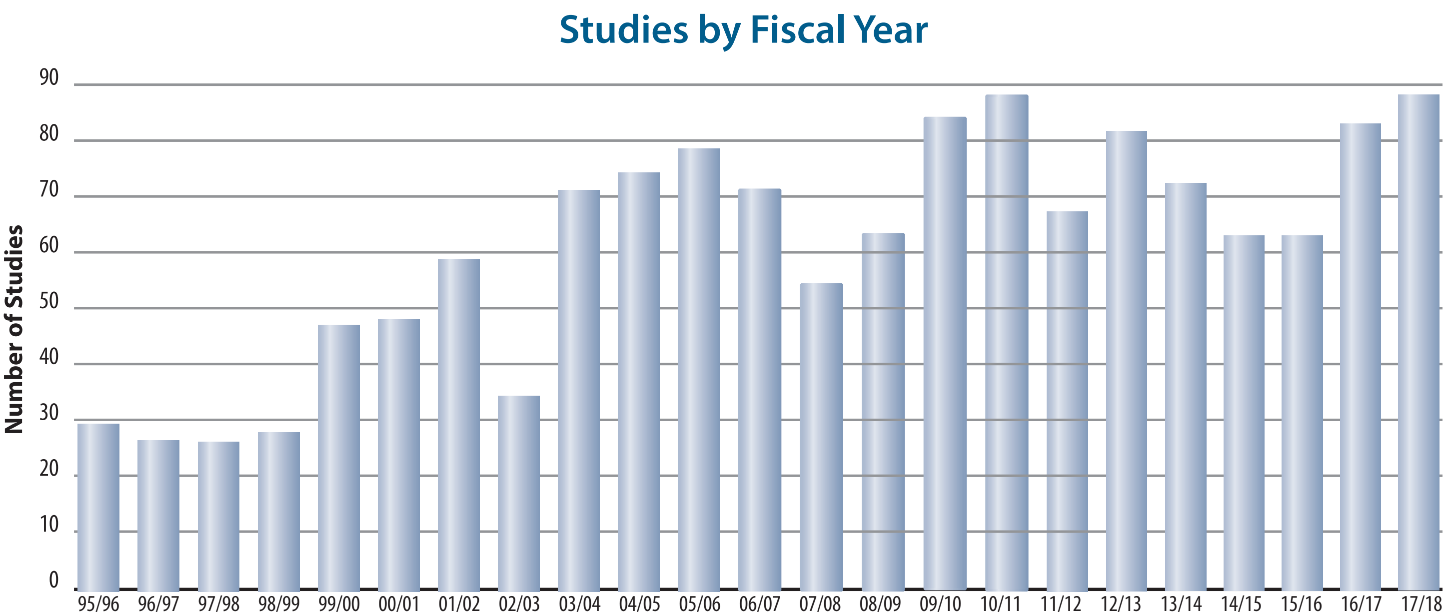
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 became effective. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Historically, FCMAT has not engaged directly with school districts showing distress until it has been invited to do so by the district or the county superintendent. The state's 2018-19 Budget Act provides for FCMAT to offer more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

- Disapproved budget
- Negative interim report certification
- Three consecutive qualified interim report certifications
- Downgrade of an interim certification by the county superintendent
- "Lack of going concern" designation

Under these conditions, FCMAT will perform a fiscal health risk analysis to determine the level of risk for insolvency. FCMAT has updated its Fiscal Health Risk Analysis (FHRA) tool that weights each question based on high, medium and low risk. The analysis will not be performed more than once in a 12-month period per district, and the engagement will be coordinated with the county superintendent and build on their oversight process and activities already in place per AB 1200. There is no cost to the county superintendent or to the district for the analysis.

Study Guidelines

FCMAT entered into the study agreement with the Amador County Unified School District on May 8, 2019.

FCMAT visited the district on May 23-24, 2019 to conduct interviews, collect data and review documents. Documentation was provided by the district through August 29, 2019. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

The FHRA tool was developed for review of a district with oversight provided by the county office of education. In this study, the reviewed entity is the district and the oversight agency is the California Department of Education (CDE). The review remains applicable and relevant; however, when a question refers to oversight activities of the county office of education, this report will mean the CDE.

Study Team

The team was composed of the following members:

Debbie Riedmiller, CFE
FCMAT Intervention Specialist

John Von Flue
FCMAT Chief Analyst

Scott Sexsmith
FCMAT Intervention Specialist

Laura Haywood
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the analysis.

District Overview

Located in the Sierra Nevada foothills approximately 45 miles southeast of Sacramento, the Amador County Office of Education and the Amador County Unified School District serve the students of Amador County. The county covers 593 square miles and includes the cities of Jackson, Ione, Sutter Creek, and several other small, rural communities. The district and the county office serve approximately 4,100 students in two comprehensive high schools, one alternative high school, two middle schools, six elementary schools, one charter school, and one county community school. In addition, state preschool, career technical education, independent study, adult education, and special education programs are provided. Amador is one of only seven single-district counties in the state. The California Department of Education (CDE) serves as the oversight agency for both the district and the county office. The district and the county office are governed by a single five-member board of trustees, and a single superintendent served both agencies until January 2019, when a newly elected county superintendent took office. The agencies also share business services, human resources, and other administrative and support staff.

The district has experienced deficit spending in the unrestricted general fund over the 2016-17 and 2017-18 fiscal years. The 2017-18 unaudited actuals report indicated that the district had not met the required minimum reserve for economic uncertainties. The district and the county office each filed a qualified certification for their 2018-19 first interim financial reports. The CDE concurred with the district's qualified certification; however, it changed the county office's certification from qualified to negative. The district filed a qualified certification and the county office filed a negative certification for their 2018-19 second interim reports.

Under the 2018-19 State Budget Act, because the county office had a negative 2018-19 second interim report certification, FCMAT performed an FHRA to determine the level of risk for insolvency. Because the district's and the county office's finances are so intertwined, FCMAT performed an FHRA for the district as well.

This report is a result of the FHRA analysis for the district. A separate FHRA analysis report has been issued for the COE.

Fiscal Health Risk Analysis

For K-12 Local Educational Agencies

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 20 sections, each containing specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical to an organization, and lack of attention to these critical areas will eventually lead to financial insolvency and loss of local control. The analysis focuses on essential functions and processes to determine the level of risk at the time of fieldwork; however, it is not a detailed review of all systems and finances, nor does it consider subsequent events.

The greater the number of "no" answers to the questions in the analysis, the higher the score, which points to a greater potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily toward or against a district's fiscal stability percentage. For this tool, 100% is the highest total risk that can be scored. A "yes" or "n/a" answer is assigned a score of 0, so the risk percentage increases only with a "no" answer.

To help the district, narratives are included for responses that are marked as "no" so the district can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

Identifying issues early is the key to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A district should consider completing the FHRA annually to assess its own fiscal health risk and progress over time.

District or LEA Name: Amador County Unified School District

Dates of Fieldwork: May 23-24, 2019

1. Annual Independent Audit Report		Yes	No	N/A
1.1	Can the district correct prior year audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)?	✓	☐	☐
1.2	Has the independent audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller's Office should be explained.)	✓	☐	☐
1.3	Was the district's most recent independent audit report free of material findings?	✓	☐	☐
1.4	Has the district corrected all reported audit findings from the current and past two audits?	☐	✓	☐

The district's last two audit reports identified internal control issues related to student body accounts, increasing the risk of misappropriation of funds. The 2017-18 audit report noted that the 2016-17 recommendations were only partially implemented, and a similar finding was noted in the 2017-18 audit report.

		Yes	No	N/A
1.5	Has the district had the same audit firm for at least three years?	☐	✓	☐

Stephen Roatch Accountancy Corporation completed the 2015-16 audit and Crowe Horwath LLP completed the 2016-17 and 2017-18 audits.

2. Budget Development and Adoption		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	☐	✓	☐

The district did not provide written budget assumptions to FCMAT and detailed assumptions were not included in the 2018-19 adopted budget board presentations.

2.2 Does the district use a budget development method other than a prior-year rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses? . . . . . . ✓ ☐ ☐

2.3 Does the district use position control data for budget development? . . . . ✓ ☐ ☐

2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . . ✓ ☐ ☐

2.5 Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . . ☐ ✓ ☐

The district did not provide documentation requested to support a response to this question.

2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . . ✓ ☐ ☐

2.7 Does the district budget and expend restricted funds before unrestricted funds? . . . . . . ☐ ✓ ☐

The district's restricted program carryover amounts and restricted ending fund balances have increased from 2015-16 to 2017-18, indicating that the district is not strategically spending restricted funds before unrestricted funds. Carryover balances have increased in the following programs: Title I, Title II, Part A, and Lottery Instructional Materials.

2.8 Have the LCAP and the budget been adopted within statutory timelines established by Education Code sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and past two fiscal years?. . . . . ✓ ☐ ☐

2.9 Has the district refrained from including carryover funds in its adopted budget? . . . . . . ✓ ☐ ☐

2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts? . . . . ✓ ☐ ☐

2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted fund? . . . . ☐ ✓ ☐

The district did not provide evidence that grants are evaluated for their potential multiyear impact on the district's unrestricted general fund prior to acceptance.

2.12 Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff member/department responsible for completing them? . . . . ☐ ✓ ☐

The district does not use a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff member/department responsible for completing them.

3. Budget Monitoring and Updates — Yes No N/A

3.1 Are actual revenues and expenses consistent with the most current budget? . . . . ☐ ✓ ☐

Several expenditure categories, including administrator salaries, classified support salaries, clerical salaries, retiree benefits, other benefits, textbooks, supplies, dues, utilities, and rental leases and repairs, are underbudgeted and local revenues are underbudgeted.

3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? . . . . ✓ ☐ ☐

3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum? . . . . ☐ ✓ ☐

The district does not include budget assumptions with interim report board presentations.

3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period? . . . . ☐ ✓ ☐

Budget revisions for 2017-18 first interim following settlement do not align with calculated costs from disclosure documents.

3.5 Does the district provide a complete response to the variances identified in the criteria and standards? . . . . ☐ ✓ ☐

The district provided incomplete responses to the variances identified in the criteria and standards as described below.

2018-19 Adopted Budget

Not Met Criteria	District Response	Issue
4A1. Calculating the district's revenue standard – ADA for 2019-20 and 2020-21 was left blank.	Continued enrollment increases due to new housing developments in the district.	Because ADA was left blank, the percent change due to population was skewed leading to a NOT MET condition.
6B. Federal Revenues Decrease of 14.39% in 2018-19 and increase of 4.39% in 2019-20 require explanation.	2017-18 deferred revenue is excluded in 2018-19.	Response addresses the decline in budgeted revenues for 2018-19 but does not address the increase in 2019-20.
6B. Other State Revenue Decrease of 5.49% in 2018-19; increase of 11.63% in 2019-20; and increase of 5.82% in 2020-21 require explanation.	One-time state revenue decrease and is not included in subsequent budgets.	Response addresses the decline in budgeted revenues for 2018-19 but does not address the increases in the subsequent years.
6B. Other Local Revenue Decrease of 93.67% in 2018-19; increase of 28.21% in 2019-20; and increase of 12% in 2020-21.	One-time local revenue received has been reduced for the subsequent year.	Response addresses the decline in budgeted revenues in the budget year but does not address the increases in the subsequent years.
6B. Books and Supplies Decrease of 39.57% in 2018-19; increase of 2.37% in 2019-20; decrease of 5.71% in 2020-21	Incremental increases have been accounted for due to potential textbook adoptions.	Response addresses the increase in expenditures in 2019-20 but does not address the decreases in 2018-19 and 2020-21.
6B. Services and Other Operating Expenditures Decrease of 19.11% in 2018-19 and increase of 8.94% in 2019-20.	2017-18 budgeted expenditures include carry-over amounts from the prior year that are not included in the budget year.	Response address the decrease in expenditures in 2018-19 but does not address the increase in 2019-20.
S8. Status of Labor Agreements	No response provided.	Required response sections were left blank.

2018-19 First Interim

Not Met Criteria	District Response	Issue
6A. Federal Revenue Increase of 27% in 2018-19; increase of 21.7% in 2019-20; increase of 20.3% in 2020-21.	Deferred revenue is excluded, and federal revenue estimates were lower than expected.	Response addresses a decrease in revenue rather than an increase in revenue.
6A. Other State Revenue Increase of 8.7% in 2018-19 requires explanation.	One-time monies are not included in the subsequent budget.	Response does not address the increase in revenue in 2018-19.
S8. Status of Labor Agreements	No response provided.	Required response sections left blank.

2018-19 Second Interim

Not Met Criteria	District Response	Issue
6A. Federal Revenue Increase of 9% in 2018-19; decrease of 25.9% in 2019-20; decrease of 26.5% in 2020-21.	Decrease or elimination of certain federal programs that were providing revenue sources to the district.	Response addresses the decrease in the subsequent years but does not address the increase in the budget year.
S6B. Annual payment for long-term commitments. Explanation required for how the increase in annual payment will be funded.	Increase in estimated costs for 2019-20 from budget adoption.	Response does not explain how the increase in annual payments will be funded.
S7A. Estimated Unfunded Liability for Postemployment Benefits other than Pensions (OPEB)	District indicated that it does not provide postemployment benefits other than pensions.	The actuarial report for retiree health benefits indicates the estimated liability to be $171,523.
S8. Status of Labor Agreements	No response provided.	Required response sections left blank.

3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the current and prior two fiscal years? . . . . ☐ ✓ ☐

The district did not provide the requested documentation to support whether deficiencies were identified and addressed.

3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? . . . . ☐ ✓ ☐

District staff reported that there is a hard stop in the financial system to prevent processing requisitions or purchase orders when the budget is insufficient to support the expenditure. However, staff indicated that they are able to override the hard stop and complete the transaction. As of the 2018-19 second interim reporting period, there were 510 account lines with negative balances totaling -$2,445,573.

3.8 Does the district encumber and adjust encumbrances for salaries and benefits? . . . . . ☐ ✓ ☐

The district encumbers and adjusts encumbrances for salaries and benefits for regular positions; however, salaries and benefits for substitute, overtime, and extra time are not encumbered.

3.9 Are all balance sheet accounts in the general ledger reconciled at each interim report, at a minimum? . . . . ☐ ✓ ☐

FCMAT reviewed the general ledger reports for 2017-18 and 2018-19 through January 31, 2019 and found that several payroll and benefit accounts in multiple funds and resources have not been reconciled.

3.10 Have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within statutory timelines established by Education Code? . . . . ✓ ☐ ☐

4. Cash Management — Yes No N/A

4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? . . . . ✓ ☐ ☐

4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? . . . . ☐ ✓ ☐

The district did not provide supporting documentation for the reconciliation of all accounts.

4.3 Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known? . . . . ☐ ✓ ☐

The district prepares cash flow projections covering 12 months out.

		Yes	No	N/A
4.4	Does the district have a reasonable plan to address cash flow needs during the current fiscal year?	✓	☐	☐
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	☐	☐
4.6	If interfund borrowing is occurring, does the district comply with Education Code section 42603?	✓	☐	☐
4.7	If the district is managing cash in any funds through external borrowing, has the district set aside funds for repayment attributable to the same year the funds were borrowed?	✓	☐	☐

5. Charter Schools

		Yes	No	N/A
5.1	Are all charters authorized by the district going concerns?	☐	☐	✓
5.2	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including the issuance of formal communication to the charter, such as Notices of Violation?	☐	☐	✓
5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code section 47604.32?	☐	☐	✓
5.4	Does the district have a board policy or other written document(s) regarding charter oversight?	☐	☐	✓
5.5	Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?	☐	☐	✓

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	Has the district settled with all its bargaining units for the prior two fiscal year(s)?	✓	☐	☐
6.2	Has the district settled with all its bargaining units for the current year?	☐	✓	☐

For the 2018-19 fiscal year: A tentative agreement with the classified unit is currently under review. No formal negotiations have occurred with the certificated bargaining unit.

		Yes	No	N/A
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐

Budget revisions for 2017-18 first interim following settlement do not align with calculated costs from disclosure documents. The 2017-18 audit report identifies a significant underbudgeting of certificated salaries.

		Yes	No	N/A
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	☐	✓	☐

The 2017-18 bargaining agreement disclosure documents state that the cost of ongoing salary schedule increases will be paid for with ending fund balance, a one-time source of funds.

		Yes	No	N/A
6.5	In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA)?	☐	✓	☐

The 2017-18 statutory COLA was 1.56%.

For the certificated bargaining unit, the district's AB 1200 disclosure identifies settling at 1.5% salary increase and a 5.24% increase in health/welfare plans for a total increase of 1.86%. However, the settlement was actually a 3% salary increase effective midyear (1/1/18). The health/welfare increase was effective retroactively to 7/1/17.

For the classified bargaining unit, the district's AB 1200 disclosure identifies settling at the same 1.5% salary and 5.24% health/welfare increase; however, this is calculated at a total increase of 2.07%. Again, the increase in salary was applied as a midyear 3% increase.

Unrepresented employees received the same increases to salary and health/welfare with the total increase calculated at 1.81%.

While the midyear application of salary increases has a 1.5% effect on the budget, the impact on future budgets will be the full 3%.

		Yes	No	N/A
6.6	If settlements have not been reached in the past two years, has the district identified resources to cover the estimated costs of settlements?	☐	☐	✓
6.7	Did the district comply with public disclosure requirements under Government Code sections 3540.2 and 3547.5 and Education Code section 42142?	✓	☐	☐
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?	✓	☐	☐
6.9	Is the governing board's action consistent with the superintendent's and CBO's certification?	✓	☐	☐

7. Contributions and Transfers

		Yes	No	N/A
7.1	Does the district have a board-approved plan to eliminate, reduce, or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?	☐	✓	☐

The district makes contributions from the unrestricted general fund to the routine restricted maintenance account (RRMA) and to a locally restricted resource. The district's 2018-19 second interim report projects contributions to increase in the two subsequent years. The district contribution to the RRMA is greater than the required amount. There is no board-approved plan to eliminate, reduce, or control any contributions/transfers.

		Yes	No	N/A
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	✓	☐

The district's 2018-19 second interim report projects a deficit of $279,425 in Fund 11, leaving a fund balance of $6,409. If this level of deficit spending continues in the 2019-20 fiscal year, the fund balance will be negative. The district has not included transfers from the unrestricted general fund to Fund 11 in its multiyear projection to cover any negative fund balance.

		Yes	No	N/A
7.3	If any contributions/transfers were required for restricted programs and/or other funds in either of the prior two fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?	✓	☐	☐

8. Deficit Spending

		Yes	No	N/A
8.1	Is the district avoiding deficit spending in the current fiscal year?	☐	✓	☐
	The district's 2018-19 second interim report projects a deficit of $734,616 in its combined unrestricted and restricted resources.			
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	✓	☐	☐
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending?	✓	☐	☐
8.4	Has the district decreased deficit spending over the past two fiscal years?	✓	☐	☐

9. Employee Benefits

		Yes	No	N/A
9.1	Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	✓	☐	☐
9.2	Does the district have a plan to fund its liabilities for retiree health and welfare benefits?	✓	☐	☐
9.3	Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?	✓	☐	☐
9.4	Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	✓	☐	☐
9.5	Does the district track, reconcile and report employees' compensated leave balances?	✓	☐	☐

10. Enrollment and Attendance

		Yes	No	N/A
10.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?	✓	☐	☐
10.2	Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?	✓	☐	☐
10.3	Does the district track historical enrollment and ADA data to predict future trends?	✓	☐	☐
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	✓	☐	☐
10.5	Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?	✓	☐	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	☐	☐
10.7	Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?	☐	✓	☐
	The 2017-18 annual audit identified that the district made a clerical error in reporting unduplicated pupil counts to CALPADS. The effect of the finding was an extrapolated nine students overreported for CALPADS, representing a reduction in LCFF funding of approximately $1,900.			

10.8 Has the district planned for enrollment losses to charter schools? . . . . ✓ ☐ ☐

10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students meeting the required qualifications are approved? . . . . . ☐ ✓ ☐

District Board Policy 5117 states that the district may enter into agreement for interdistrict transfer and that the agreement shall specify the terms and conditions under which interdistrict attendance shall be permitted or denied. District Administrative Regulation 5117 identifies the reasons for which interdistrict attendance may be approved.

However, the district provided a list of 44 interdistrict transfers that were approved for 2017-18 and 32 interdistrict transfers that were approved for 2018-19. The documents do not indicate the reason for the transfer request or what condition qualified the interdistrict attendance for approval. The report also identified that only one request was declined.

10.10 Does the district meet the average class enrollment for each school site of no more than 24-to-1 class size ratio in TK-3 classes or does it have an alternative collectively bargained agreement? . . . . ✓ ☐ ☐

11. Facilities — Yes No N/A

11.1 If the district participates in the state's School Facilities Program, has it met the 3% Routine Restricted Maintenance Account requirement? . . . . ✓ ☐ ☐

11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? . . . . ✓ ☐ ☐

11.3 Does the district properly track and account for facility-related projects? . . . . ✓ ☐ ☐

11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards? . . . . ☐ ✓ ☐

According to the 2013 Facilities Master Plan, the district has the capacity for 6,062 students. Enrollment reported for August 2019 was 4,086 or 67.4% facility capacity.

Site facility utilization ranges from 44.5% to 91.6% of capacity.

Amador CUSD Facilities Loading

Site	August 2019 enrollment	Capacity*	Available capacity	Percentage of capacity
Amador High	715	1,026	311	69.7%
Argonaut High	546	756	210	72.2%
Ione Jr High	394	885	491	44.5%
Jackson Jr High	395	590	195	66.9%
Ione Elementary	512	670	158	76.4%
Jackson Elementary	472	600	128	78.7%
Pine Grove Elementary	284	310	26	91.6%
Pioneer Elementary	194	380	186	51.1%
Plymouth Elementary	185	345	160	53.6%
Sutter Creek Elementary	218	300	82	72.7%
Sutter Creek Primary	171	200	29	85.5%
TOTAL	4,086	6,062	1,976	67.4%

**2013 Facilities Master Plan using OPSC loading standards.*

		Yes	No	N/A
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	☐	☐
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	☐	☐	✓
11.7	If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	☐	☐	✓
11.8	Does the district have an up-to-date long-range facilities master plan?	☐	✓	☐

The facilities master plan was last completed and updated in 2013. District staff state the process has begun to review and update the plan.

12. Fund Balance and Reserve for Economic Uncertainty

		Yes	No	N/A
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including funds 01 and 17) as defined by criteria and standards?	☐	✓	☐

The district's 2018-19 second interim report projects a reserve of 0.46%, which is below the required 3% reserve for economic uncertainties. The required reserve amount is $1,285,269 and the projected reserves are $195,821. The district falls short of the reserve requirement by $1,089,448.

		Yes	No	N/A
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☐	✓	☐

The district's 2018-19 second interim report projects a reserve of 1.39% in 2019-20 and 4.16% in 2020-21. The required minimum reserve for the district is 3%. The required reserve is $1,268,394 in 2019-20 and the district's available reserves are $589,459, a shortfall of $678,935. The required reserve is $1,298,637 in 2020-21 and the district's available reserves are $1,802,771.

		Yes	No	N/A
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	✓	☐	☐
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	✓	☐	☐
12.5	If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted fund balance include any assigned or committed reserves above the recommended reserve level?	☐	✓	☐

The district has not assigned or committed reserves to address the debt service obligations, which are increasing through 2028 and will have significant impact on the unrestricted general fund through 2031-32.

Debt Service

Fiscal year	Capital lease (buses)	Energy project financing	Clean Renewable Energy Bonds (CREB)	Total annual debt payment
2019-20	$179,919.00	$502,011.00	$175,208.80	$857,138.80
2020-21	$179,919.00	$546,179.20	$175,208.80	$901,307.00
2021-22	$179,919.00	$592,128.80	$175,208.80	$947,256.60
2022-23	$179,919.00	$640,779.20	$175,208.80	$995,907.00
2023-24	$179,919.00	$691,049.20	$175,208.80	$1,046,177.00
2024-25	$179,919.00	$744,846.00	$175,208.80	$1,099,973.80
2025-26	$179,919.00	$796,340.20	$615,263.80	$1,591,523.00
2026-27	$179,919.00	$837,893.00	$837,893.00	$1,855,705.00
2027-28	$179,960.00	$877,450.20	$877,450.20	$1,934,860.40
2028-29		$508,974.40	$508,974.40	$1,017,948.80
2029-30		$542,863.40	$542,863.40	$1,085,726.80
2030-31		$576,321.40	$576,321.40	$1,152,642.80
2031-32		$611,215.80	$611,215.80	$1,222,431.60
Total	$1,619,312.00	$8,468,051.80	$5,621,234.80	

13. General Fund - Current Year

		Yes	No	N/A
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	☐	✓	☐

The district did not provide evidence of a process to ensure one-time revenues are not committed to ongoing expenditures. The district's 2015-16 audit report contained a finding regarding deficit spending and the use of one-time funds for ongoing expenditures and noted a similar finding from 2014-15. The 2017-18 bargaining agreement disclosure documents state that the cost of ongoing salary schedule increases will be paid for with ending fund balance, a one-time source of funds.

		Yes	No	N/A
13.2	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the current year?	✓	☐	☐
13.3	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?	✓	☐	☐
13.4	If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?	☐	☐	✓
13.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	✓	☐	☐
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	☐	✓	☐

Carryover of Title I funds has increased over the last three years. The district reported carryover of Title I funds in 2017-18 greater than the allowable 15% and was required to request a waiver from the CDE.

		Yes	No	N/A
13.7	Does the district consistently account for all program costs, including the maximum allowable indirect costs, for each restricted resource?	✓	☐	☐

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	✓	☐	☐
14.2	Can the system(s) provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	☐	☐
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	☐	✓	☐
	The 2017-18 annual audit identified that the district made a clerical error in reporting unduplicated pupil counts to CALPADS. The effect of the finding was an extrapolated nine students overreported for CALPADS, representing a reduction in LCFF funding of approximately $1,900.			
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	☐	☐	✓
14.6	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorizations?	✓	☐	☐
15.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	✓	☐	☐
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?			
	• Accounts payable (AP)	✓	☐	☐
	• Accounts receivable (AR)	✓	☐	☐
	• Purchasing and contracts	✓	☐	☐
	• Payroll	✓	☐	☐
	• Human resources	✓	☐	☐
	• Associated student body (ASB)	☐	✓	☐
	Annual audits for fiscal years 2016-17 and 2017-18 identified ASB internal control issues with cash counting, insufficient oversight of fundraising including preapproval, lack of financial statement review, and lack of training.			
	• Warehouse and receiving	✓	☐	☐
15.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
15.5	Does the district review and clear prior year accruals by first interim?	☐	✓	☐

In 2017-18, prior year accruals were cleared by year end. As of 2018-19 second interim, accruals have not been cleared and balances remain in multiple funds and resources.

15.6 Does the district reconcile all suspense accounts, including salaries and benefits, at least at each interim reporting period and at the close of the fiscal year? . . . . ☐ ✓ ☐

A review of the general ledger reports for 2017-18 and 2018-19 through January 31, 2019 indicates that salary and benefit suspense accounts in multiple funds and resources have not been reconciled.

15.7 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? . . . . ✓ ☐ ☐

15.8 Does the district have processes and procedures to discourage and detect fraud? . . . . ✓ ☐ ☐

15.9 Does the district maintain an independent fraud reporting hotline or other reporting service(s)? . . . . ☐ ✓ ☐

No independent and/or anonymous reporting process is in place.

15.10 Does the district have a process for collecting and following up on reports of possible fraud? . . . . ☐ ✓ ☐

No formal process is in place to follow-up on questionable activities.

15.11 Does the district have an internal audit process? . . . . ☐ ✓ ☐

Neither the district nor the county office has an internal audit process. A system of internal controls and segregation of duties limits the exposure to errors, omissions and fraud.

16. Leadership and Stability — Yes / No / N/A

16.1 Does the district have a chief business official who has been with the district more than two years? . . . . ☐ ✓ ☐

The current CBO started in the position in July 2017. Having no prior CBO experience, the CBO has enrolled in professional development programs and trainings.

16.2 Does the district have a superintendent who has been with the district more than two years? . . . . ✓ ☐ ☐

16.3 Does the superintendent meet on a scheduled and regular basis with all members of the administrative cabinet? . . . . ✓ ☐ ☐

16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? . . . . ✓ ☐ ☐

16.5 Does the governing board adopt and revise policies and administrative regulations annually? . . . . ✓ ☐ ☐

16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? . . . . ✓ ☐ ☐

16.7 Is training on the budget and governance provided to board members at least every two years? . . . . ✓ ☐ ☐

16.8 Is the superintendent's evaluation performed according to the terms of the contract? . . . ✓ ☐ ☐

17. Multiyear Projections

	Yes	No	N/A
17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	☐	✓	☐
17.2 To help calculate its multiyear projections, did the district prepare an LCFF calculation with multiyear considerations?	✓	☐	☐
17.3 Does the district use its most current multiyear projection in making financial decisions?	☐	✓	☐
17.4 If the district utilizes a broad adjustment category in its multiyear projection such as line B10, Other Adjustments, in the SACS form MYP/MYPI, is there a detailed list of what is included in the adjustment amount?	☐	☐	✓

17.1 comment: *The district did not provide detailed assumptions to FCMAT and detailed assumptions were not included in the 2018-19 first or second interim board presentations.*

17.3 comment: *The district did not provide evidence that the most current multiyear projection is used in making financial decisions. During the 2017-18 fiscal year, the district incorrectly projected that the reserve requirement would be met at first and second interim. However, since the close of the 2017-18 financial books, the district is using its most current multiyear projection to make decisions regarding expenditure reductions.*

18. Non-Voter-Approved Debt and Risk Management

	Yes	No	N/A
18.1 Are the sources of repayment for non-voter-approved debt {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others}, stable, predictable, and other than unrestricted general fund?	☐	✓	☐

Unrestricted general fund obligations are scheduled for the next 13 years as the district has committed to significant debt payments on three separate schedules through fiscal year 2031-32.

Debt Service

Fiscal year	Capital lease (buses)	Energy project financing	Clean Renewable Energy Bonds (CREB)	Total annual debt payment
2019-20	$179,919.00	$502,011.00	$175,208.80	$857,138.80
2020-21	$179,919.00	$546,179.20	$175,208.80	$901,307.00
2021-22	$179,919.00	$592,128.80	$175,208.80	$947,256.60
2022-23	$179,919.00	$640,779.20	$175,208.80	$995,907.00
2023-24	$179,919.00	$691,049.20	$175,208.80	$1,046,177.00
2024-25	$179,919.00	$744,846.00	$175,208.80	$1,099,973.80
2025-26	$179,919.00	$796,340.20	$615,263.80	$1,591,523.00
2026-27	$179,919.00	$837,893.00	$837,893.00	$1,855,705.00
2027-28	$179,960.00	$877,450.20	$877,450.20	$1,934,860.40
2028-29		$508,974.40	$508,974.40	$1,017,948.80
2029-30		$542,863.40	$542,863.40	$1,085,726.80
2030-31		$576,321.40	$576,321.40	$1,152,642.80
2031-32		$611,215.80	$611,215.80	$1,222,431.60
Total	$1,619,312.00	$8,468,051.80	$5,621,234.80	

		Yes	No	N/A
18.2	If the district has issued non-voter-approved debt, has its credit rating remained stable or improved in the current or prior two fiscal years?	✓	☐	☐
18.3	If the district is self-insured, does the district have a recent (every two years) actuarial study and a plan to pay for any unfunded liabilities?	☐	☐	✓
18.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	☐	✓	☐

Debt service for 2019-20, is approximately 2% however, unrestricted general fund obligations are scheduled to increase in the future as the district has committed to significant debt payments on three separate schedules through fiscal year 2031-32.

In 2014, the district entered into capital (bus) lease-purchase obligations with total outstanding payments of $1,619,312 at a rate of $179,919 per year through 2027 and then $179,960 due by 2028.

In 2016, the district entered into lease financing for energy saving projects with outstanding payments as of 2019-20 totaling $8,468,051.80 due through 2031-32.

Also in 2016, the district entered into Clean Renewable Energy Bonds (CREBs) with interest only payments through 2024-25. As of 2019-20, the total outstanding debt payment for the CREBs is $5,621,234.80.

19. Position Control

		Yes	No	N/A
19.1	Does the district account for all positions and costs?	☐	✓	☐

The district does not use the position control module within its financial system to maintain salary and benefit cost data. Instead, salary and benefit cost data for regular positions is maintained on a spreadsheet. Costs for substitutes, overtime, and extra duty are not accounted for.

		Yes	No	N/A
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment?	☐	✓	☐

Class sizes are well below the maximums agreed upon in the collective bargaining agreement at most schools, especially at the junior high and high school levels, indicating that staffing adjustments are not made.

		Yes	No	N/A
19.3	Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and interim reporting periods?	✓	☐	☐
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	☐	✓	☐

The district did not provide evidence or documentation to substantiate that it identifies a budget source for each new position before the position is authorized by the governing board.

		Yes	No	N/A
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	☐	✓	☐

The district did not provide evidence or documentation to substantiate that the governing board approves all new positions and extra assignments before positions are posted.

		Yes	No	N/A
19.6	Has the district adopted staffing ratios for certificated, classified and administrative positions in the past three years, and is the district following those ratios?	☐	✓	☐

Staffing ratios for teachers are included in the bargaining agreement but have not been adopted for classified or administrative positions. Staffing ratios for teachers are not being followed as class sizes are well below the agreed-upon maximums at most schools.

		Yes	No	N/A
19.7	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?.	✓	☐	☐

20. Special Education

		Yes	No	N/A
20.1	Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	☐	☐	✓
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	☐	☐	✓
20.3	Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	☐	☐	✓
20.4	Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	✓	☐	☐
20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	✓	☐	☐
20.6	Is the district's rate of identification of students as eligible for special education comparable with countywide and statewide average rates?	✓	☐	☐
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	☐	☐	✓

Total Risk Score, All Areas **38.6%**

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

Summary

The governing board is ultimately responsible for the district budget and for making sound financial decisions. Management is responsible for providing accurate financial information supported by trend analysis, budget assumptions and multiyear projections based on reliable data so the board can make informed decisions.

This report and analysis is based on the district's 2018-19 second interim report and interviews with district staff conducted on May 23-24, 2019. Requests for supporting documentation were made on June 12, 2019; July 8, 2019; July 31, 2019; August 13, 2019 and August 20, 2019. Not all of the documents requested were received. Events subsequent to the fieldwork dates of May 23-24, 2019 have not been considered.

The district has experienced deficit spending in three of the last four years, and the unrestricted general fund ending balance has declined by over $2.8 million between July 1, 2014 and June 30, 2018. The 2017-18 unaudited actuals report indicated that the district did not meet the required minimum reserve for economic uncertainties. The district's 2018-19 first and second interim reports indicated that the district may not be able to meet its financial obligations for the rest of the current year or the subsequent fiscal year. The 2015-16 audit report identified operating deficits in 2012-13 and 2014-15 and attributed surpluses in the 2013-14 and 2015-16 fiscal years to the receipt of one-time revenues.

This Fiscal Health Risk Analysis has identified multiple areas of concern that contribute to the district's fiscal distress. Of significant concern is the rapid erosion of the district's unrestricted ending fund balance because of a pattern of ongoing deficit spending that goes back to at least the 2012-13 fiscal year. The district's 2018-19 second interim report projects a deficit of $734,616 in its combined unrestricted and restricted resources and it is not projected to meet the minimum reserve requirement in 2018-19 or 2019-20. The board has approved budget reductions that are projected to eliminate deficit spending in 2019-20 and 2020-21 and restore the reserve by 2020-21. The district's 2018-19 second interim report projects a reserve of 0.46% in 2018-19, 1.39% in 2019-20, and 4.16% in 2020-21. The minimum reserve requirement for the district is 3%.

If the district continues to spend more than it receives, it will deplete its cash resources. The district is managing its cash flow needs for 2018-19 through temporary borrowing. The district's general fund cash balance is not projected to be sufficient to cover cash flow needs throughout the 2018-19 fiscal year without TRANs borrowing.

The district does not have a process to ensure that one-time revenues are not committed to ongoing expenditures. Over the last five years, LEAs have received one-time funding for outstanding mandate claims. This funding source ended in 2018-19. There is no evidence to support that the district utilized these one-time funds for one-time purposes.

The district does not review and adjust staffing based on enrollment. A review of class sizes at each of the district schools found that class size is well under the agreed-upon maximum at most schools, especially at the junior high and high school levels. The certificated bargaining agreement allows a maximum of 35 students per class at grades 7-12. Class sizes range between 22-24 in core subject classes at the junior high schools. At the high schools, 63% of classes offered had 25 or fewer students enrolled.

Site facility utilization ranges from 44.5% to 91.6% of capacity. Student enrollment to capacity averages 67.4% for the district overall, with only two of 11 sites exceeding 80% capacity and three sites used at less than 60% capacity. This means that the district is incurring costs to maintain more facilities and sites than necessary to adequately serve its enrolled population.

Future debt service payments are a significant risk to the district's fiscal solvency. Debt service payments are scheduled to increase approximately 5.6% per year through 2024-25. The district makes interest-only payments on energy bonds through 2024-25, and in 2025-26 annual debt service payments on the bonds will increase from $175,209 to $615,264. Total debt service payments will increase $501,494 (49.54%) in 2025-26.

Agreements with the district's bargaining groups have provided compensation increases greater than the funded cost of living adjustment (COLA). Compensation increases in 2017-18 totaled 1.86% for certificated employees, 2.07% for classified employees, and 1.81% for unrepresented employees, while the funded COLA was 1.56%. Additionally, the district's collective bargaining disclosure documents for the 2017-18 fiscal year state that the cost of ongoing salary schedule increases will be paid for with ending fund balance, a one-time source of funds.

The county office provides all special education services for the district and employs all special education staff. Because of this, the district has little control over special education staffing levels, class sizes, caseload sizes, or costs. The district transfers revenues to the county office in an amount needed to cover any deficits in the county office special education program.

This analysis indicates the district is at moderate risk of insolvency. The district's significant risk factors include deficit spending, substantial reductions in fund balance, inadequate reserve levels, inadequate cash balances, failure to adjust staffing based on enrollment, significant debt service obligations, and approval of bargaining agreements that exceed the district's ability to support them. The district must ensure that it tracks and spends one-time revenues only on one-time expenses; adjusts staffing levels appropriately to enrollment; and follows through with planned expenditure reductions to eliminate deficit spending and restore adequate reserve levels. Failure to act quickly and decisively may result in fiscal insolvency; the consequences of becoming insolvent are severe and result in loss of local control and governance.