FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Review

February 25, 2022

Chawanakee Unified School District

Michael H. Fine
Chief Executive Officer

February 25, 2022

Marcy Guthrie, Superintendent
Chawanakee Unified School District
26065 Outback Industrial Way
O'Neals, CA 93645

Dear Superintendent Guthrie:

In June 2021, the district entered into an agreement with FCMAT to review the district's 2021-22 adopted general fund budget and processes and procedures in its Business Services and Human Resources departments. Specifically, the study agreement states that FCMAT will complete the following:

1. Review the district's 2021-22 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district appropriately plan for growth, eliminate its structural budget deficit and maintain fiscal solvency.

2. Review operational processes and procedures in the business services department and make recommendations for improved efficiency, if any, in the following areas:

   - Budget development
   - Budget monitoring
   - Position control
   - Accounts payable
   - Accounts receivable
   - Payroll
   - End of year closure of the books (2020-21 fiscal year)

3. Review operational processes and procedures in the Human Resources Department and make recommendations for improved efficiency, if any.

4. Evaluate the current workflow and distribution of functions within and between the above departments and make recommendations for improved efficiencies, if any.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Chawanakee Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine

Chief Executive Officer

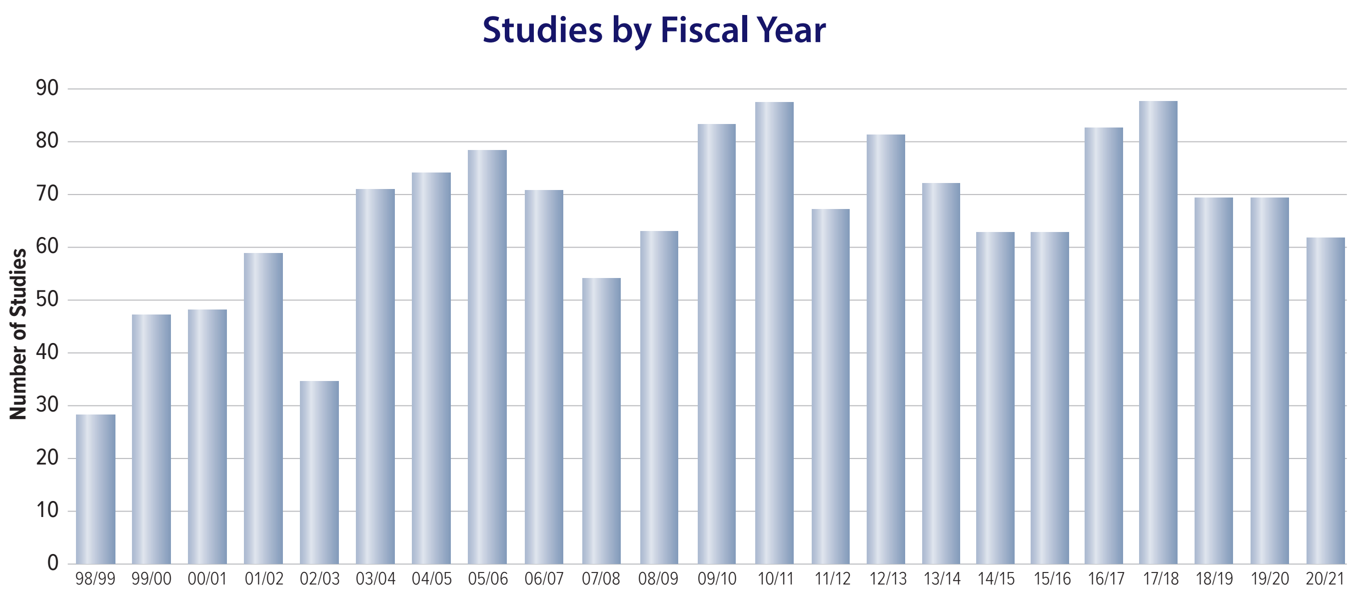
Table of Contents

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 learning 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 was signed into law. 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 1,400 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

Background

Located in Eastern Madera County, the Chawanakee Unified School District serves students in transitional kindergarten (TK) through 12th grade in the communities of O'Neals, North Fork, Tesoro Viejo, Millerton Preserve and surrounding areas. The district oversees seven schools, including three TK-8 grade schools, two high schools, a K-12 independent study charter school, and a charter high school. In addition, the district has preschool programs at two of the elementary schools and an adult school program.

For 2020-21, the California Longitudinal Pupil Achievement Data System (CALPADS) information identified an enrollment of 915 students. The district has an unduplicated pupil percentage (UPP), which is composed of students who qualify for free or reduced-price meals, are English learners, or are foster youth, of 61.86% for its traditional schools, an enrollment of 368 with a UPP of 51.9% at Chawanakee Academy Charter School, and an enrollment of 248 with a UPP of 40.7% at Minarets Charter High.

Study and Report Guidelines

In June 2021, the Chawanakee Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to review the district's 2021-22 adopted general fund budget and processes and procedures in its Business Services and Human Resources departments.

FCMAT visited the district on October 26 and 27, 2021 to conduct interviews with district and school site staff, collect data and review documents. FCMAT performed additional document review and analysis during the weeks that followed. Supporting documents were collected from the district through November 19, 2021. 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.

Study Team

The study team was composed of the following members:

Debbie Riedmiller, CFE FCMAT Intervention Specialist	Jennifer Noga, CFE FCMAT Intervention Specialist
Marcus Wirowek, CFE FCMAT Intervention Specialist	Leonel Martínez FCMAT Technical Writer

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

Executive Summary

One of FCMAT's objectives in this study was to review the district's 2021-22 adopted budget and multiyear financial projection (MYFP) and validate its financial status. The team reviewed numerous documents and financial reports, including the district's annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical financial information pertinent to the study. The independent multiyear financial projection (MYFP) was developed based on the district's 2021-22 adopted budget as well as additional information from the district's financial system and interviews with staff.

The district authorized and operates two charter schools: one K-12 independent study school and one grades 9-12 high school. The charter high school shares a campus with one of the district's traditional high schools. Historical data indicates the district (including district-operated charter schools) has experienced increasing enrollment in each year but two since 2007-08. This increase is projected to continue in the two subsequent years of the projection. Two large housing developments are projected to produce more than 6,000 new homes within district boundaries when fully developed.

The district's 2021-22 adopted budget and MYFP projects deficit spending in its unrestricted general fund only in the first year of the projection. According to the district's reports, the district is projected to exceed the minimum reserve requirement for economic uncertainties in all three years of the projection. The district's budget was built conservatively, projecting no growth in enrollment or average daily attendance (ADA) for the MYFP. FCMAT's MYFP projects an increase in deficit spending in the unrestricted general fund in 2021-22, but projects budget surpluses in the two subsequent years. FCMAT projects the district will meet and exceed the required reserve for economic uncertainties in the current and subsequent years.

Financial projections are based on certain assumptions and criteria, such as enrollment and ADA, cost-of-living increases, economic conditions, and other factors. When these factors change, a projection's results also typically change. The district's 2021-22 adopted budget and MYFP were based on the governor's May revision budget and other assumptions available when it was created. FCMAT's budget and MYFP was based on the final 2021-22 enacted state budget. In addition, FCMAT used its projections of increased enrollment and ADA in its MYFP.

The COVID-19 pandemic did not have the severe negative effects on state revenues that were anticipated at the beginning of the pandemic, and state revenues recovered more quickly than expected. Local educational agencies (LEAs) received a multitude of one-time COVID relief funds to mitigate the impacts of the pandemic on school systems and educational programs. These revenues have various requirements and expenditure deadlines over the next three years. Districts should develop coordinated expenditure plans and track these one-time revenues and expenditures to ensure expenditures are eliminated in the MYFP when the funds have been exhausted.

As part of the study, the district requested FCMAT to review operational processes and procedures in the Business Services and Human Resources departments. The current district superintendent was hired in April 2021 after the previous superintendent had served 5 1/2 years. The current CBO began in July 2021. The position of human resources director was vacant at the time of fieldwork, and the duties of the director were being performed by the superintendent and a part-time consultant. Several staff members in Business Services and Human Resources are new to the district or to their positions. This presents an opportunity for the district to create and document processes and procedures and strengthen internal controls. Additionally, the district can build and restore relationships within the Business and Human Resources departments and with staff at other sites and departments.

Findings and Recommendations

Multiyear Financial Projections

Financial planning is crucial for every local educational agency (LEA), regardless of size or structure. Multiyear financial projections (MYFPs) allow a governing board and district to make budget decisions that strategically allocate current and future resources in alignment with its goals, programs and the Local Control and Accountability Plan (LCAP). In addition, recognizing financial trends is essential to maintaining a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget direction and identify possible areas of concern so that solutions can be implemented in a timely manner.

Multiyear financial projections allow a district to forecast the future fiscal effect of current decisions. Projections should be updated at least at each interim financial reporting period, when known economic forecasts change, and before any significant decisions are made that affect the budget, such as salary increases or other major financial commitments. When developing an MYFP, a district's main objectives are to achieve and sustain a balanced budget, improve academic achievement, and maintain local governance.

Assembly Bill (AB) 1200 and AB 2756 require multiyear financial projections, and they are a part of the adoption budget and interim reporting process. AB 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight processes used to monitor the fiscal status of school districts and county offices of education. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI) and county offices of education and their ability to intervene during fiscal crises, including requesting assistance from FCMAT.

If the district cannot meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the governing board and the SPI. The SPI must follow Education Code 42127.6 when assisting a school district in fiscal distress. If a district does not maintain its required reserve for economic uncertainties, the MYFP is the primary tool used to help the county office and the district develop a plan to regain fiscal solvency and restore the required reserve.

Any forecast of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including enrollment trends, cost-of-living adjustments, estimates of costs for utilities, supplies and equipment, and changing economic conditions at the state, federal, and local levels. Therefore, any projection should be viewed as a trend based on certain criteria and assumptions rather than a prediction of exact numbers.

Multiyear projections can become somewhat less reliable in a time of fiscal instability, especially in projecting the subsequent fiscal years, because projected revenue information from the state may change frequently. However, the MYFP still provides guidance for decisions that cover several fiscal years, and the district must continue to update and reassess the effects of state-imposed budget adjustments.

Each district faces its own set of financial risk factors based on reserve levels, enrollment trends, employee compensation, degree of revenue volatility, and various other local and statewide factors. Districts must plan accordingly to meet ongoing academic and program objectives while maintaining fiscal solvency.

In such an uncertain environment, all LEAs should strive to maintain fiscal solvency and protect the integrity of educational programs by doing the following:

- Analyzing enrollment trends and regularly updating MYFPs.
- Maintaining adequate reserves to allow for unanticipated circumstances (with the adequate level based on each LEA's unique situational assessment).
- Maintaining fiscal flexibility by limiting commitments to future increased expenditures based on projections of future revenue growth, and/or establishing contingencies that allow expenditure plans to be changed as needed.
- Routinely preparing alternative MYFPs that can show the fiscal impact of different budget assumptions through each year of the fiscal model.
- Developing an expenditure reduction plan that can be implemented in a timely manner if necessary.

California LEAs use many different methods and software products to prepare MYFPs. The projections for the district's general fund used in this report were prepared using FCMAT's Projection-Pro multiyear and cash flow projection software, a web-based forecasting tool that is available at no cost to all California school districts, charter schools, and county offices of education. FCMAT reviewed the district's revenue and expenditure trends during recent years, used industry-standard variables provided by the School Services of California (SSC) Financial Dartboard, and based its projection on the district's 2021-22 adopted budget for the current and two subsequent fiscal years.

Adjustment Analysis

The first step in FCMAT's process was to establish the current year revenues and expenditures. Accurately estimating these values is essential because they are used to determine the subsequent years' projections.

The following table shows the differences between the district's 2021-22 adopted budget report and FCMAT's analysis. The district used estimated 2020-21 revenues and expenditures to determine the adjusted beginning fund balance, nonspendable amounts, and restricted ending balance. FCMAT used the district's 2020-21 unaudited actuals report, which was completed in September 2021, to determine those amounts. Differences in projected revenues and expenditures are explained in the Revenue and Expenditure Projection Assumptions section.

Multiyear Financial Projection Comparison Summary, General Fund Unrestricted and Restricted Resources

Description	Object Code	District 2021-22 Adopted Budget*	Adjustments to Base Year	FCMAT 2021-22
A. Revenues				
LCFF Sources	8010-8099	10,716,041	(293,855)	10,422,186
Federal Revenue	8100-8299	368,941	2,293,213	2,662,154
Other State Revenues	8300-8599	2,868,093	(952,470)	1,915,623
Other Local Revenues	8600-8799	688,125	(258,511)	429,614
Total, Revenue		14,641,200	788,377	15,429,577
B. Expenditures				
Certificated Salaries	1000-1999	4,804,491	60,315	4,864,806
Classified Salaries	2000-2999	2,037,442	103,331	2,140,773
Employee Benefits	3000-3999	2,843,284	194,466	3,037,750
Books and Supplies	4000-4999	773,816	71,487	845,303
Services and Other Operating Expenditures	5000-5999	1,210,431	499,229	1,709,660
Capital Outlay/Depreciation	6000-6999	1,512,458	174,671	1,687,129
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	408,458	90,711	499,169
Other Outgo - Transfers of Indirect Costs	7300-7399	(58,018)	-	(58,018)
Total, Expenditures		13,532,362	1,194,210	14,726,572
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		1,108,838	(405,833)	703,005
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	103,000	17,940	120,940
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	-	-	-
Total, Other Financing Sources/Uses		(103,000)	(17,940)	(120,940)
E. Net Increase (Decrease) in Fund Balance		1,005,838	(423,773)	582,065
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	3,669,688	(342,574)	3,327,114
Audit Adjustments	9793	-	-	-
As of July 1- Audited		3,669,688	(342,574)	3,327,114
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		3,669,688	(342,574)	3,327,114
Ending Balance/Net Position, June 30		4,675,526	(766,348)	3,909,178
Components of Ending Fund Balance				
Nonspendable	9710-9719	-	7,500	7,500
Restricted	9740	1,257,682	843,385	2,101,067
Committed			-	-
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned			-	-
Other Assignments	9780	-	-	-
Unassigned/Unappropriated			-	-
Reserve for Economic Uncertainties	9789	3,417,844	(2,823,944)	593,900
Unassigned/Unappropriated Amount	9790	-	1,206,711	1,206,711

** Source: District's 2021-22 Adopted Budget; 2020-21 Unaudited Actuals*

Rounding used in calculations

Enrollment, Unduplicated Pupil Count, and Average Daily Attendance

Accurate enrollment and ADA projections are essential elements of any multiyear financial projection. Most of a district's revenue is based on the Local Control Funding Formula (LCFF). Student enrollment, unduplicated pupil count (UPC) (that is, the number and percentage of students who are English learners, and/or foster youth, and/or qualify for free or reduced-price meals), and ADA by grade level are all core components of the LCFF calculation. Enrollment projections are vital in identifying changes that may significantly affect an LEA's estimated revenue in the current and subsequent years of a projection. Failure to identify potential reductions in revenue (based on declines in ADA) and plan for necessary staffing and other reductions in a timely manner can be a significant detriment to a district's financial position.

Accurate projections provide information essential for determining instructional priorities, staffing ratios, grade level configurations, and/or potential boundary changes. Enrollment projections should be prepared frequently and with enough detail to monitor and project class sizes in subsequent years. To maintain the most accurate and meaningful data, districts need to prepare and update enrollment projections regularly and compare them to actual enrollment. Historical enrollment and attendance patterns help identify potential changes in future enrollment. Projections prepared in a timely manner enable a district to identify a potential enrollment decline and or increase, allowing a district to adjust staffing levels and expenditure budgets accordingly. Regularly monitoring attendance data allows districts to forecast whether layoff notices may be necessary; this helps ensure that management has adequate time to prepare them.

Enrollment and ADA projections have inherent limitations because they are based on certain criteria and assumptions rather than exact calculations. Limitations include issues such as the unpredictable timing of housing trends, unanticipated changes in enrollment, changes in local and regional demographics, and changing local, state and federal economic conditions. Therefore, the forecasting model should be viewed as a trend rather than a prediction of exact numbers.

Enrollment variables include the following:

- Birth rates and trends
- Historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Incoming and outgoing interdistrict transfers
- Migration in and out of schools, including movement in and out of charter schools
- Changes in local and regional demographics
- Industry changes such as new industry moving to, or existing industry moving from, an area
- Residential housing starts and the correlation of housing starts with local, state or national economics

Few districts in the state have been experiencing enrollment increase. Yet the district's enrollment has grown by 45.8% since fiscal year 2017-18, which represents an increase of 301 students over the past four years. In 2018-19 and 2019-20, enrollment in the district increased more than 12% each year. Additionally, new housing developments within district boundaries are projected to produce more than 6,000 homes. However, when preparing its 2021-22 adopted budget and MYFP, the district projected enrollment and ADA growth only for the 2021-22 year, and no growth for the subsequent years of the MYFP.

In developing the MYFP, FCMAT reviewed the district's enrollment, ADA, and UPC trends from 2016-17 through 2021-22 for all grades. FCMAT used its Projection-Pro software to prepare enrollment, ADA and UPC projections for the current and two subsequent years and used these projections to complete an independent LCFF calculation. FCMAT's method resulted in enrollment, ADA and UPC projections that differ from the district.

Enrollment

The enrollment projection the district provided to FCMAT was not used for budget development but was prepared shortly before FCMAT's fieldwork. On the document provided, enrollment was projected using an eight-year average districtwide growth rate of 4.9% applied to each grade level. However, the district combined the enrollment of both district-operated charter schools with the enrollment of its traditional schools. Although the district treats each district-operated charter school as any other school in the district, each charter school's revenues and expenditures are accounted for outside of the general fund. Additionally, LCFF apportionment funds for the district and each charter school are calculated separately based on each entity's unique demographic factors. Therefore, the district should prepare separate enrollment projections for the district and each charter school.

FCMAT used the cohort survival method to project the district's enrollment for grades one through 12. This technique groups students by grade level on entry and tracks them through each year they stay in school. The method evaluates the longitudinal relationship of the number of students who pass from one grade to the next in the subsequent year. In doing so, the method more closely accounts for retention and new and departing students by grade. Although other enrollment forecasting methods are available, the cohort survival method is usually considered the best choice for school districts because of its sensitivity to incremental changes in several key variables.

Percentages are calculated from historical enrollment data certified on the Fall 1 census date for the California Longitudinal Pupil Achievement Data System (CALPADS), which is always the first Wednesday in October. This data is used to determine a percentage of increase or decrease in enrollment between any two grades. For example, if 100 students were certified as enrolled in first grade in 2019-20 and that number increased to 104 in second grade in 2020-21, the survival would be 104%, or a ratio of 1.04. Such ratios are calculated between each pair of grades over several recent years. These ratios are key factors that contribute to the reliability of the projections given the validity of the data at the starting point. Each ratio encompasses collectively the variables that could account for an increase or decrease in the size of a grade cohort as it progresses over time.

Projecting kindergarten enrollment differs from other grades because little data is available on the presence of four- and five-year-old children who may enroll in the district the following year. The industry standard for projecting kindergarten enrollment is to identify the number of children who enroll in kindergarten and express this as a percentage of countywide live births five years earlier. Alternatively, a five-year historical average of the number of kindergarten students is usually a simpler approach. FCMAT used a five-year historical average to project kindergarten enrollment for the district. Because the five-year average also includes eligible transitional kindergarten, the projected funding is susceptible to reduction if the enrollment and relative ADA do not materialize.

Unduplicated Pupil Percentage

The district's UPP is used to determine a portion of its LCFF funding (specifically, supplemental and concentration grant funding). This is the percentage of the district's students who are eligible for free or reduced priced meals and/or identified as English learners and/or foster youth; each eligible student is counted only once, even if he or she meets more than one of these criteria. The UPP is determined based on a three-year rolling average of the ratio of unduplicated students enrolled to total enrollment. Based on a five-year historical ratio of unduplicated students enrolled to total enrollment, FCMAT determined a weighted average ratio and used it to calculate the UPP for the projection years.

The district's uncertified 2021-22 UPP was calculated at 45.09%, compared to the district's historical average of slightly more than 60%. Flexibilities provided by the United States Department of Agriculture (USDA) in 2021-22, which allow the district to serve two meals a day to any student regardless of income eligibility status, may have contributed to this decrease. This will affect not only the current year LCFF supplemental and concentration funding, but because of the three-year rolling average, the district will be affected for two more fiscal years.

Average Daily Attendance

The total number of student attendance days in a school year is divided by the number of days of instruction to calculate the district's ADA. School district LCFF apportionments are based on the greater of current year or prior year period 2 (P-2) ADA report. Period 2 ADA is calculated using student attendance from the first day of school through the last school month ending on or before April 15. As a result of Senate Bill 117, for districts that comply with Executive Order N-26-20, the second attendance and annual reporting periods were modified for 2019-20 to include full school months from July 1, 2019 through the last month ending on or before February 29, 2020, inclusive. Because of the COVID-19 pandemic, the state provided a one-time hold harmless provision on ADA, which allowed the use of 2019-20 ADA as a proxy for 2020-21.

FCMAT reviewed the district's enrollment and ADA trends for 2016-17 through 2020-21. The review compared the October CALPADS student enrollment counts to the P-2 ADA to determine the average ADA-to-enrollment ratios by grade span. Based on these historical ratios, a weighted average ratio was determined and used to calculate ADA for the projection years.

The table on the following page shows FCMAT's enrollment, UPC, and ADA projections.

Actual and Projected Enrollment, UPC and ADA

Enrollment	Historical 5 2016-17	Historical 4 2017-18	Historical 3 2018-19	Historical 2 2019-20	Historical 1 2020-21	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
TK-K	59	58	53	93	76	89	100	113
1	44	54	62	55	78	69	83	93
2	49	46	63	70	49	89	74	88
3	46	51	53	73	67	54	96	80
Subtotal (TK-3)	198	209	231	291	270	301	353	374
4	53	48	62	62	79	80	63	111
5	54	52	59	73	73	89	93	73
6	38	53	66	67	80	83	101	106
Subtotal (4-6)	145	153	187	202	232	252	257	290
7	48	51	71	72	71	88	92	112
8	53	44	59	78	69	74	92	96
Subtotal (7-8)	101	95	130	150	140	162	184	208
9	49	50	51	58	73	65	72	89
10	53	51	55	52	67	71	68	76
11	51	56	48	45	65	55	68	65
12	66	43	38	40	68	52	55	69
Subtotal (9-12)	219	200	192	195	273	243	263	299
Total Enrollment	663	657	740	838	915	958	1,057	1,171
Enrollment increase (decrease)	-21	-6	83	98	77	43	99	114
Unduplicated Pupil Count (UPC)	Historical 5 2016-17	Historical 4 2017-18	Historical 3 2018-19	Historical 2 2019-20	Historical 1 2020-21	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
UPC	389	419	440	503	566	432	589	652
Ratio	58.67%	63.77%	59.46%	60.02%	61.86%	45.09%	55.71%	55.71%
Average Daily Attendance (ADA)	Historical 5 2016-17	Historical 4 2017-18	Historical 3 2018-19	Historical 2 2019-20	Historical 1 2020-21	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
Grades TK-3								
ADA	188.92	198.65	220.56	281.63	257.90	288.29	338.09	358.21
Ratio	95.41%	95.05%	95.48%	96.78%	95.52%	95.78%	95.78%	95.78%
Grades 4-6								
ADA	143.67	150.65	179.71	197.83	221.60	244.21	249.06	281.04
Ratio	99.08%	98.46%	96.10%	97.94%	95.52%	96.91%	96.91%	96.91%
Grades 7-8								
ADA	94.20	91.06	122.56	143.55	133.70	154.24	175.18	198.03
Ratio	93.27%	95.85%	94.28%	95.70%	95.50%	95.21%	95.21%	95.21%
Grades 9-12								
ADA	205.63	183.61	177.17	188.18	256.60	228.47	247.27	281.12
Ratio	93.90%	91.81%	92.28%	96.50%	93.99%	94.02%	94.02%	94.02%
Grades TK-12								
ADA	632.42	623.97	700.00	811.19	869.80	915.21	1,009.60	1,118.40
Ratio	95.39%	94.97%	94.59%	96.80%	95.06%	95.53%	95.52%	95.51%

Sources: Ed Data, CALPADS 1.17 report, CDE Apportionment Exhibits

Notes on above table:

For grades one-12, the enrollment projections are based on the cohort survival weighted average by grade level for the previous five years.

For TK-kindergarten, the enrollment projections are based on a five-year average rate of change in kindergarten enrollment.

The unduplicated pupil percentage is based on a five-year weighted average ratio of unduplicated pupils to total enrollment.

The P-2 attendance percentage is based on a five-year weighted average ratio of P-2 attendance to enrollment.

FCMAT’s projections indicate the district should anticipate continued enrollment growth in 2022-23 and 2023-24, but at a lesser rate than it has experienced over the last four years.

Multiyear Financial Projection Assumptions

The MYFP prepared by FCMAT uses the district's 2021-22 adopted budget report as the baseline and includes the impact of the state's 2021-22 enacted budget. The study team reviewed the district's records, interviewed staff members, and examined a variety of financial documents to gather the information needed for the MYFP. Assumptions include conservative economic factors and estimates described by major object code.

The key planning factors and budget assumptions FCMAT used to prepare the MYFP are based on the latest information available at the time the projection was completed, as shown in the table below, and are further described in the paragraphs below.

Planning Factor	2021-22	2022-23	2023-24
Statutory COLA (Department of Finance)	1.70%	2.48%	3.11%
LCFF COLA	5.07%	2.48%	3.11%
State Categorical COLA	1.70%	2.48%	3.11%
Special Education COLA	4.05%	2.48%	3.11%
California Consumer Price Index (CPI)	3.96%	2.65%	2.36%
Interest Rate for Ten-Year Treasuries	2.14%	2.60%	2.70%
California Lottery, Unrestricted per ADA	$163.00	$163.00	$163.00
California Lottery, Restricted per ADA (Prop 20)	$65.00	$65.00	$65.00
Mandate Block Grant, District (K-8), per ADA	$32.79	$33.60	$34.64
Mandate Block Grant, District (9-12), per ADA	$63.17	$64.74	$66.75
CalPERS Employer Rate	22.91%	26.10%	27.10%
CalSTRS Employer Rate	16.92%	19.10%	19.10%
State Unemployment Insurance Rate	0.50%	0.50%	0.20%
Step and Column, Certificated	1.62%	1.63%	1.63%
Step, Classified	2.66%	2.85%	2.85%
Indirect Cost Rate	9.82%	9.88%	9.88%

Sources: School Services of California (SSC) 2021-22 Enacted State Budget Dartboard, California Department of Education (CDE), and district records

Revenue and Expenditure Projection Assumptions

FCMAT included in its MYFP the impact of the state's 2021-22 enacted budget. The team reviewed the district's records, interviewed staff members, and examined a variety of financial documents to gather the information needed for the MYFP. Assumptions include conservative economic factors and estimates described by major object code.

Revenue Assumptions

Projected revenue was based on validation of funding from the California Department of Education (CDE), School Services of California (SSC) Dartboard, grant letters, and analysis of district estimates for any sources that could not be independently verified. Adjustments were made for any one-time funds or carryover from previous years.

Local Control Funding Formula (LCFF) Sources

The LCFF is the funding model for school district and charter school operational funding. It was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and charter school block grant state apportionment distribution methods. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English learners, and foster youth).
- A concentration grant that provides an additional 65% (formerly 50%) of the base grant multiplied by the district's percentage of disadvantaged pupils that exceeds 55% of total enrollment.

Districts must increase or improve services to unduplicated pupils by the proportion of supplemental and concentration funds to base funds that they receive. This is known as the minimum proportionality percentage (MPP).

The LCFF funding model eliminated many former state categorical programs and redirected their funding to support the implementation of the LCFF. Full implementation of the LCFF was expected to take eight years, with districts receiving a proportionate level of funding (referred to as gap funding) during implementation. However, full implementation was achieved in 2018-19, two years earlier than anticipated, with all LEAs receiving their target allocation. After full implementation, LCFF funding is expected to increase by the cost-of-living adjustment (COLA) only, calculated with other variable factors, such as changes in attendance and in unduplicated pupil counts.

For most districts, including the Chawanakee Unified School District, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's property tax will be applied first toward the total LCFF entitlement, and the balance is funded through state aid. Proposition 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high-income taxpayers. The sales tax increase expired in 2016; the income tax increase was initially set to expire in 2018, but Proposition 55 extended it through 2030. These revenues are deposited into the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. Districts and charter schools are encouraged to use the FCMAT LCFF Calculator to estimate LCFF funding.

As the sponsoring district of the Chawanakee Academy and Minarets High School charter schools, the district is required to transfer funding from its general fund for payment in lieu of property taxes to the charter school for all students who attend there. This does not affect the district's LCFF funding because the state compensates it for the property tax transfer.

The COVID-19 pandemic did not have the severe negative effects on 2020-21 state revenues that were anticipated at the beginning of the pandemic, and state revenues recovered more quickly than expected. The 2021-22 enacted state budget provided a COLA of 5.07% on LCFF base grants and increased the concentration grant from 50% to 65%. For districts that qualify to receive the concentration grant dollars, the additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. The 2021-22 Budget Act changed the tracking requirements for all supplemental and concentration grant funds. If the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year MPP, any unused portion of supplemental and concentration grant funds must be designated in the subsequent year's LCAP and used to provide increased or improved services to unduplicated pupils. Many new one-time and ongoing categorical programs were created, with various qualification criteria, reporting requirements and expenditure deadlines. In addition, the cash deferrals of principal apportionment payments that began in June 2020 were eliminated, and all prior year deferrals were repaid by August 2021.

FCMAT prepared an independent LCFF calculation for the district using the adopted budget version of the FCMAT LCFF Calculator (updated November 2, 2021). Although the district also used the FCMAT LCFF calculator, it planned conservatively and did not budget for the projected increases in enrollment and ADA. Because of this and the fact that FCMAT's projections are based on the district's historical trends as mentioned previously in the report, the LCFF revenue projections differ from those in the district's MYFP. The difference in 2021-22 was minor; however, FCMAT included a prior year audit adjustment of -$324,799 for an attendance apportionment finding, which reduced current year revenues by $293,855. FCMAT's projections of LCFF revenues are approximately $1.0 million higher in 2022-23 and approximately $2.2 million higher in 2023-24, mainly due to the increase in the projected enrollment and ADA, which is consistent with the district's historical trends.

	2021-22		2022-23		2023-24	
	District	FCMAT	District	FCMAT	District	FCMAT*
Enrollment	969	963*	969	1,062*	969	1,176*
Funded ADA	905.50	918.88*	905.50	1,014.88*	905.50	1,121.83*
UPP (3-yr %)	59.44%	55.31%*	59.44%	54.09%*	59.44%	52.45%*
LCFF Revenues	$10,716,041	$10,422,186	$10,939,927	$11,944,546	$11,199,720	$13,395,548

*Includes District Funded County Program Students

Federal Revenue

Documentation was not available for all funding sources, so the team made assumptions regarding revenues based on information found on the CDE website, analysis of prior year receipts, and district budget amounts. Federal funding amounts were reviewed, verified when possible, and adjusted as appropriate in the base year. According to a list provided by the district, the only one-time revenues included in the budget are the COVID relief funds. Except for these one-time revenues and carryover amounts, FCMAT assumed unchanged funding levels for federal programs, with no COLA in 2022-23 and 2023-24. FCMAT increased federal revenues by a total of $2.29 million in 2021-22.

An increase of $124,430 was made in 2021-22 to account for carryover or unearned revenues from prior year grants for various Title program funding sources. Smaller increases and/or decreases were made to various other programs. Carryover and unearned revenues included in the 2021-22 budget were eliminated from FCMAT's projection in the subsequent years.

The increases made by FCMAT to the Title program funding is significant because they are due to year-over-year carryovers. The district has a pattern of not spending the current year allocations. The best practice is that the district obligates or expends each allocation within each fiscal year, because the money should be spent on the students generating these dollars. Additionally, any funds not spent by the deadline will need to be returned to CDE. Title I has a 15% carryover limit without an approved waiver, but a waiver to exceed the 15% limitation is allowed only once every three years. The district will need to develop and implement program expenditure plans to fully expend grant monies within the fiscal year earned.

An increase of $1.67 million was made to the 2021-22 budget to align budget amounts with federal COVID-19 relief fund entitlements and to adjust for prior year carryover. Federal revenues were further increased by approximately $472,000 for new COVID-19 relief funds awarded in 2021-22. Some COVID-19 funds previously identified as state revenues were reclassified as federal revenues. Some revenue sources included in FCMAT's projection require the district to apply for funds, submit legal assurances, and/or adopt expenditure plans. The numerous sources of COVID-19 relief funds have various expenditure deadlines ranging from September 30, 2022 through September 30, 2024. Any known revenues were included in FCMAT's projections, but if the district did not provide FCMAT with an expenditure plan, expenditures were not included, and the funds were left in the restricted ending fund balance. One-time and carryover federal COVID-19 relief funds of $2.14 million were eliminated from the projection in 2022-23.

Most of the changes made by FCMAT were because the funding information was not available at the time the district developed its budget. The district should ensure that the budget is updated periodically and that budgeted revenues agree with the CDE funding allocation schedules. Carryover or unearned revenues from prior years should not be included in the current year budget until the unaudited actuals are completed and should be eliminated from the two subsequent years of the MYFP.

Other State Revenue

Documentation was not available for all funding sources, so the team made some assumptions regarding revenues based on information found on the CDE website, analysis of prior year receipts, and district budget amounts. State grant award amounts for 2021-22 were confirmed when possible and carried forward to 2022-23 and 2023-24 with COLA applied to select revenues. A decrease totaling approximately $952,470 was made to the 2021-22 state revenues. Most of that reduction was from COVID-19 funds of approximately $837,000 previously identified as state revenues that were reclassified as federal revenues. Additionally, state revenues coded to a locally restricted resource identified as electric bus grant were decreased by $797,240 due to a lack of supporting documents for the grant. Smaller increases and decreases were made to various other programs.

The 2021-22 revenue projection was increased by slightly less than $195,000 for the new Expanded Learning Opportunities Program, which is assumed to be ongoing. New allocations for COVID-19 relief funds of approximately $486,000 were added to the projection in 2021-22; these funds were assumed to be one-time and were eliminated from the subsequent fiscal years of the projection. FCMAT's projection assumes the district will apply for funding, adopt spending plans, and file expenditure reports as required to qualify for funding. For example, FCMAT included $150,000 of the A-G Completion Improvement Grant in its projection for the 2021-22. To qualify for the funds, the board must adopt an expenditure plan by April 1, 2022, and the deadline for expenditure is June 30, 2026.

Mandate Funding

Projections for the ongoing Mandate Block Grant are based on FCMAT's projection of ADA for 2021-22 and subsequent years. Funding is calculated on a per-ADA amount from the SSC Dartboard with COLA applied in the subsequent years. Receipt of Mandate Block Grant funds is contingent on the district filing a funding application each year with the CDE.

Lottery

FCMAT projected lottery revenues for 2021-22 and subsequent years based on projected annual ADA, multiplied by $163 for unrestricted and $65 for restricted lottery instructional materials, per the SSC Dartboard. Lottery funding is initially allocated using the prior year's annual ADA and adjusted in the subsequent fiscal year based on current year annual ADA.

Other Local Revenue

The district receives local revenues from interest earnings, leases and rentals, fees and contracts, donations, and other miscellaneous sources. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, consider historical trend data and identify revenue streams that are one-time. These budget items should also be monitored and updated throughout the year based on amounts received to date.

FCMAT reviewed the district's budgeted amounts for reasonableness using the prior two years' actual revenues and 2021-22 year-to-date actual receipts and adjusted the projection accordingly. Amounts attributed to sales of equipment and supplies were eliminated in the current and subsequent fiscal years due to the lack of supporting documentation; no revenues have been received to date. Leases and rental amounts for the current year were reduced based on revenues received to date and were eliminated in the subsequent fiscal years due to the uncertainty of the funding source. The amount attributed to interest was based on the actual amount received for the first quarter and assumed three additional payments of the same amount; these revenues are considered ongoing in the subsequent years of the projection, adjusted by the rate of increase in the interest rate for 10-year treasuries per the SSC Dartboard. Amounts attributed to donations were based on amounts received to date and eliminated in the subsequent fiscal years.

Contributions

When revenues in restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. Restricted programs should be self-supporting, except for special education, routine restricted maintenance, and any restricted program the district has made a deliberate decision to support with unrestricted general funds. State and federal special education funding is typically insufficient, and the district is required to make a 3% contribution to the ongoing major maintenance account (resource 8150).

The district projects a contribution of $854,505 to special education programs in the current budget year. FCMAT increased projected expenditures in 2021-22 to align with 2021-22 expenditures to date and actual expenditures in the two prior years, added expenditures for indirect costs, and increased the projected contribution to $1,011,474. The contribution is projected to increase to $1,055,485 in 2022-23 and to $1,071,402 in 2023-24 because of increasing costs.

The district projects a contribution of $485,873 to resource 8150, ongoing major maintenance, in the current budget year. FCMAT increased projected expenditures in 2021-22 to align with 2021-22 expenditures to date and actual expenditures in the two prior years, added expenditures for indirect costs, and increased the projected contribution to $564,731 in 2021-22. The contribution is projected to increase to $588,329 in 2022-23 and to $604,770 in 2023-24 because of increasing costs.

In other restricted resources, when expenditure budgets exceed projected revenue in the subsequent years of the MYFP, FCMAT reduced expenditures in the 4000 (books and supplies), 5000 (services and other operating), and 6000 (capital outlay) object codes where possible to remain within the projected revenue estimates. No reductions were made in salary and benefit budgets. A contribution was made from the unrestricted general fund to balance any restricted resource for which expenditures still exceeded revenue after these adjustments. Because of increasing costs year over year, the district may need to reduce expenditures in several restricted resources in 2022-23 and 2023-24 to remain within the projected revenue estimates. All programs that require a contribution from the unrestricted general fund should be reviewed to determine whether they can be made self-sustaining.

The table below shows contributions from the district's unrestricted general fund to its restricted resources as projected in FCMAT's MYFP.

Contributions

	Resource Code	Base Year 2021-22	Year 1 2022-23	Year 2 2023-24
Unrestricted Resources				
Unrestricted Resource	0000	(1,621,033)	(1,650,193)	(1,685,440)
Total Unrestricted		(1,621,033)	(1,650,193)	(1,685,440)
Restricted Resources				
ESSA: Title I, Part A, Basic	3010	0	0	1,039
Indian Education	4510	20,863	6,379	8,229
Special Education	Various	1,011,474	1,055,485	1,071,402
Agriculture Career Technical Education Incentive	7010	23,639	0	0
SB 117 COVID-19 LEA Response Funds	7388	326	0	0
Ongoing & Major Maintenance Account	8150	564,731	588,329	604,770
Total Restricted		1,621,033	1,650,193	1,685,440
Balance		-	-	-

Expenditure Assumptions

FCMAT's MYFP assumes that the district's current ongoing costs in its 2021-22 adopted budget will continue unless adjusted as noted below.

Salaries and Benefits

The district uses the Escape financial system for position control, hosted by the county office, to maintain salary and benefit data for regular permanent positions. Escape is integrated with the financial system. The position control system has not been fully implemented at the district and does not include complete salary and benefit information. Manual entries are made to the budget to adjust for costs such as stipends, substitutes, extra duty, and overtime. Salary and benefit costs for overtime, substitutes, and stipend positions are budgeted based on prior year actual expenses.

A fully implemented position control system can help a district maintain accurate salary and benefit information for more accurate budget projections. Maintaining a position control system that has all elements of salary and benefit data will reduce manual adjustments and improve efficiency and accuracy. The need to manually adjust position control data for budgeting purposes is laborious, inefficient, and creates the potential for errors in budgeting. It is vital to maintain an effective position control system to manage the cost of salaries and benefits and to properly reflect those expenditures in the district's budget.

FCMAT evaluated the reasonableness of the district's budgeted 2021-22 salary and benefit information at budget adoption by comparing the position control report to salary and benefit expenditures posted to the general ledger for July through November 2021 and reviewing actual expenditures for 2019-20 and 2020-

21. FCMAT found that the actual salary and benefit expenses did not align with amounts in the position control report, so the team used the 2021-22 general ledger report rather than the position control report for its MYFP projections. Payroll reports were not received so FCMAT was unable to reconcile position control to payroll. Accounting for step and column movement and salary schedule increases approved by the board in June 2021, FCMAT adjusted the district's 2021-22 budget as noted below.

Certificated Salaries

Adjustments were made to increase certificated salaries by $60,315 in the 2021-22 budget based on actual salaries paid to date and November 2021 salary expenses posted to the general ledger. Certificated salaries were increased by 1.63% in each subsequent year of the projection for the estimated cost of salary schedule step movement.

Classified Salaries

FCMAT increased classified salaries by $103,331 in 2021-22 based on the analysis described above. Classified salaries were increased by 2.85% in each subsequent year of the projection for the estimated cost of salary step movement.

Employee Benefits

Employee benefits were increased by $194,466 in 2021-22. Statutory benefits were increased in proportion to the increase in salaries, except for state unemployment insurance, which was decreased because the rate decreased from 1.23% projected at May revision to a final of 0.20%. Statutory benefits were increased or decreased in the subsequent years in proportion to increases or decreases in certificated and classified salaries. Employer contributions for California State Teachers' Retirement System (STRS) and California Public Employees' Retirement System (PERS) were adjusted in the subsequent years of the projection based on the projected change to the rates.

Health and welfare benefits were increased by $59,600 in 2021-22 based on actual benefits paid to date and November 2021 expense posted to the general ledger. No increases were projected in the subsequent years because the district contribution is limited by a cap, and any increases to the employer's share of cost is subject to collective bargaining. Retiree health and welfare benefits were increased by $121,900 in 2021-22 based on the schedule of retirees receiving benefits provided by the district. The district's 2021-22 adopted budget did not include estimated costs for retiree benefits. The district should include the cost of retiree benefits in its budgets and MYFPs.

Books and Supplies

FCMAT reviewed the books and supplies budget for reasonableness and compared it to the two prior years' actual expenditures. After adjustments were made as described below, expenditures in the subsequent years were increased based on the consumer price index (CPI) inflation factor.

Expenditures were increased by $71,487 in 2021-22 based on a review of actual expenditures to date and the prior two years' actual expenditures. Expenditures were reduced in other restricted programs in the second and third year of the projection whenever restricted resource expenditure budgets exceeded projected revenue.

Services and Other Operating Expenditures

FCMAT reviewed the services and other operating expenditures budgets for reasonableness compared to the prior two years' actual expenditures. After adjustments were made as described below, expenditures in the subsequent years were increased based on the CPI inflation factor.

Adjustments were made to the base year budget based on a review of actual expenditures to date and the prior two years actual expenditures. In addition, expenditures were increased by $219,200 in the budget year based on the district's Elementary and Secondary School Emergency Relief Fund (ESSER) III expenditure plan. The ESSER III expenditures were eliminated in the subsequent years of the projection.

One-time expenditures tied to carryover revenues were eliminated in the subsequent years of the projection. Expenditures were reduced in other restricted programs in the second and third years of the projection whenever restricted resource expenditure budgets exceeded projected revenue.

Capital Outlay

FCMAT reviewed capital outlay budgets for reasonableness using actual expenditures to date and the prior two years' actual expenditures. Adjustments were made in the base year budget based on actual expenditures to date. FCMAT increased the budget by $963,000 based on the district's ESSER III expenditure plan. The ESSER III expenditures were eliminated in the subsequent years of the projection. A reduction of $794,900 in expenditures that were tied to a bus replacement grant were eliminated in the 2021-22 budget, corresponding to a reduction of the revenues that were eliminated due to a lack of supporting documentation.

Some expenditures were reduced in the second and third years of the projection whenever restricted resource expenditure budgets exceeded projected revenue.

Other Outgo

Indirect Costs

FCMAT applied indirect costs charges at the maximum allowable rate to each restricted program in the base year and subsequent years to ensure proper program cost accounting, even when this resulted in a contribution to a program's resource from the unrestricted general fund. Indirect costs were based on the CDE's approved rate for the district. The district's 2021-22 approved indirect cost rate is 9.82%, and based on the 2020-21 unaudited actuals Form ICR, is projected to increase to 9.88% in 2022-23. Indirect costs were increased $248,014 in the current budget year.

Debt Service

Debt service schedules were not available, so debt service projections were based on amounts reported in the district's 2019-20 audit report for certificates of participation and capital leases. Debt service was increased by $81,300 in 2021-22 and adjusted in the subsequent years per the schedule in the audit report. The district should review the payment schedules for debt service and include principal and interest payments in its budget and MYFPs.

Interfund Transfers

Other Authorized Interfund Transfers In

The district's adopted budget report does not include any transfers to the general fund from other funds. FCMAT's projection does not include any transfers to the general fund from other funds for the 2021-22 or subsequent years.

Other Authorized Interfund Transfers Out

The district projects a transfer of $103,000 in 2021-22 from the general fund to the charter school fund to cover a deficit in the charter school fund. FCMAT included a transfer in the same amount in its projection and assumed it to be ongoing.

Other Concerns

Expenditure Coding

The district has expenditures coded to resources with no current year revenues. For example, it has current year expenditures charged to resource 3210, Elementary and Secondary School Emergency Relief (ESSER) Fund, but the grant revenues were received and spent in the prior year. The district will need to transfer the expenditures to another funding source or plan to make a contribution from the unrestricted general fund. The district has current year expenditures charged to resource 7388, SB 117 COVID-19 LEA Response Funds, but the grant revenues were received and fully expended in a prior year. The district will need to transfer the expenditures to another funding source or plan to make a contribution from the unrestricted general fund. The district has revenues budgeted in resource 7422, In-Person Instruction (IPI) Grant that are greater than the projected revenues in the resource. The district will need to reduce planned expenditures from this resource, or transfer the expenditures to another resource, or plan to make a contribution from the unrestricted general fund.

Ongoing and Major Maintenance Account

The expenditures and contribution to resource 8150 is $169,629 more than the 3% required contribution. The district's total expenditures in resource 8150 are 143% of the required contribution. Salaries and benefits expenditures amount to 97% of the required contribution, which is quite high, leaving minimal resources for supplies and services expenditures. Appropriate expenditures in resource 8150 are for routine maintenance, which is defined in the California School Accounting Manual (CSAM) as the ongoing and major maintenance of school buildings and includes repairing, restoring, or renovating school property, including grounds, buildings, site improvements, building fixtures, and service systems. Activities involved with keeping the physical plant and grounds open, clean, comfortable, and in working condition are not appropriate charges to the resource 8150. The district should review expenditures charged to resource 8150 to ensure that all expenditures charged to the resource are appropriate.

Other Funds

FCMAT performed a basic review of other district funds to assess their financial impact on the district's unrestricted general fund. Therefore, some observations and recommendations are provided in conjunction with the review of the district's general fund.

Charter Schools Fund (Fund 09)

The charter schools fund is used to account for the operating activities of LEA-operated charter schools. Although the district projects a surplus of revenues over expenditures for the fund, it projects a transfer of $103,000 from the general fund to the charter school fund. The district made a transfer of $300,000 in 2020-21. The district operates two charter schools: Chawanakee Academy and Minarets Charter High School. The district accounts for the operations of its two charter schools separately in the fund, and the district projects deficit spending for the Minarets Charter High School, which shares a campus and some staff with the district's traditional Minarets High School. The district should analyze the division of expenditures between the schools and ensure that the expenditures for each school are accounted for appropriately. It should evaluate and identify areas of cost reductions and/or revenue increases to reduce or eliminate deficit spending for the Minarets Charter High School.

Adult Education Fund (Fund 11)

The adult education fund is a restricted fund used to account for federal, state, and local revenues that are restricted or committed for adult education programs. The district had a deficit of $36,200 in 2020-21 and projects a surplus of $34,800 for 2021-22. The beginning fund balance in 2021-22 is $17,200.

Cafeteria Fund (Fund 13)

The cafeteria fund is a restricted fund used to account for the food service program. The cafeteria fund had a deficit of $51,500 in 2020-21, and the district made a transfer of $5,000 from the general fund. The district projects a deficit of $28,500 in 2021-22 with no transfer projected from the general fund. The fund balance is projected by the district to decline from $95,100 at the beginning of 2020-21 to $15,100 at the end of 2021-22. The district's adopted budget projects $516,263 in revenues while the 2020-21 unaudited actuals report shows only $273,911 in revenues. The district should review projected revenues in the fund to ensure the budget is accurate and adjust as appropriate. The district should analyze and identify areas of cost reductions and/or revenue increases to reduce or eliminate deficit spending in the cafeteria fund.

Capital Facilities (Fund 25)

The district uses the capital facilities fund to account for fees levied on development projects. Expenditures are restricted to the construction or reconstruction of school facilities. The district received $265 in interest in 2020-21 and is projecting $50,000 in interest in 2021-22. It received $110,652 in developer fees in 2020-21 and is projecting $0 in 2021-22. The budgeted revenues do not seem reasonable. The district should review the budgeted amounts and revise the budget as appropriate.

FCMAT Multiyear Financial Projection

The primary purpose of an MYFP is to evaluate a district's long-term financial sustainability. The MYFP uses current budget assumptions and projects revenues and expenditures over several fiscal years to determine whether the district can achieve and sustain a balanced budget and maintain its state-required reserve for economic uncertainties for the current and two subsequent fiscal years.

FCMAT analyzed all general fund sources and expenditure categories by resource. The unrestricted general fund summary below indicates that, based on current assumptions, the district is projected to deficit spend in the current budget year only, and will meet its required reserve for economic uncertainties in all three years of the projection.

Unrestricted General Fund

The district's general fund budget is a combination of unrestricted general purpose dollars and restricted grants and categorical funding. However, when analyzing the district's budget, much attention is focused on the unrestricted budget, in particular deficit spending and the unappropriated ending fund balance. The unrestricted general fund summary below shows FCMAT's analysis of the district's unrestricted resources.

Unrestricted General Fund Summary

Description	Object Code	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
A. Revenues				
LCFF Sources	8010-8099	10,422,186	11,944,546	13,395,548
Federal Revenue	8100-8299	48,776	48,776	48,776
Other State Revenues	8300-8599	216,994	210,173	233,742
Other Local Revenues	8600-8799	88,992	39,203	40,711
Total, Revenue		10,776,948	12,242,698	13,718,777
B. Expenditures				
Certificated Salaries	1000-1999	3,984,503	4,049,450	4,115,456
Classified Salaries	2000-2999	1,439,828	1,480,863	1,523,068
Employee Benefits	3000-3999	2,051,989	2,206,578	2,230,935
Books and Supplies	4000-4999	463,853	476,145	487,382
Services and Other Operating Expenditures	5000-5999	1,277,531	1,317,433	1,353,910
Capital Outlay/Depreciation	6000-6999	707,299	707,299	707,299
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	499,169	390,517	390,517
Other Outgo - Transfers of Indirect Costs	7300-7399	(319,584)	(285,838)	(286,938)
Total, Expenditures		10,104,588	10,342,448	10,521,629
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		672,360	1,900,250	3,197,148
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	103,000	103,000	103,000
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	(1,621,033)	(1,650,193)	(1,685,440)
Total, Other Financing Sources/Uses		(1,724,033)	(1,753,193)	(1,788,440)

E. Net Increase (Decrease) in Fund Balance/Net Position		(1,051,673)	147,057	1,408,707
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	2,859,785	1,808,112	1,955,169
Audit Adjustments	9793	-	-	-
As of July 1- Audited		2,859,785	1,808,112	1,955,169
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		2,859,785	1,808,112	1,955,169
Ending Balance/Net Position, June 30		1,808,112	1,955,169	3,363,876
Components of Ending Fund Balance				
Nonspendable	9710-9719	7,500	7,500	7,500
Restricted	9740	-	-	-
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				
Other Assignments	9780	-	-	-
Unassigned/Unappropriated		-		
Reserve for Economic Uncertainties	9789	593,900	409,540	415,277
Unassigned/Unappropriated Amount	9790	1,206,711	1,538,129	2,941,100

Rounding used in calculations

Restricted General Fund

Income for new federal and state COVID-19 relief funds is included in the restricted MYFP. However, if the district did not provide spending plans for the funds, no expenditures were included, and the funds were left in the restricted ending fund balance. The following table summarizes FCMAT's projections for the district's restricted resources.

Restricted General Fund Summary

Description	Object Code	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
A. Revenues				
LCFF Sources	8010-8099	-	-	-
Federal Revenue	8100-8299	2,613,378	337,794	337,794
Other State Revenues	8300-8599	1,698,628	854,948	869,719
Other Local Revenues	8600-8799	340,622	349,069	359,925
Total, Revenue		4,652,628	1,541,812	1,567,439
B. Expenditures				
Certificated Salaries	1000-1999	880,303	784,370	795,617
Classified Salaries	2000-2999	700,945	696,905	716,406
Employee Benefits	3000-3999	985,761	1,006,140	1,017,639
Books and Supplies	4000-4999	381,450	269,130	261,619
Services and Other Operating Expenditures	5000-5999	432,129	204,758	180,957
Capital Outlay/Depreciation	6000-6999	979,830	16,770	16,770
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	-	-	-
Other Outgo - Transfers of Indirect Costs	7300-7399	261,566	227,820	228,920
Total, Expenditures		4,621,984	3,205,893	3,217,928

C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		30,644	(1,664,081)	(1,650,489)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	17,940	-	-
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Other Adjustments - Other Financing Uses		-	-	-
Contributions	8980-8999	1,621,033	1,650,193	1,685,440
Total, Other Financing Sources/Uses		1,603,093	1,650,193	1,685,440
E. Net Increase (Decrease) in Fund Balance		1,633,737	(13,888)	34,951
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	467,329	2,101,067	2,087,179
Audit Adjustments	9793	-	-	-
As of July 1- Audited		467,329	2,101,067	2,087,179
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		467,329	2,101,067	2,087,179
Ending Balance/Net Position, June 30		2,101,067	2,087,179	2,122,130
Components of Ending Fund Balance				
Nonspendable	9710-9719			
Restricted	9740	2,101,067	2,087,179	2,122,130
Committed		-		
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned		-		
Other Assignments	9780	-	-	-
Unassigned/Unappropriated		-		
Reserve for Economic Uncertainties	9789	-	-	-
Unassigned/Unappropriated Amount	9790	-	-	-

Rounding used in calculations

Combined General Fund

The combined general fund summary below shows FCMAT's analysis of all the district's unrestricted and restricted general fund sources. Because the district's ADA is projected to be greater than 1,000 in 2022-23 and 2023-24, its required minimum reserve for economic uncertainties decreases from 4% to 3%.

Combined General Fund Summary

Description	Object Code	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
A. Revenues				
LCFF Sources	8010-8099	10,422,186	11,944,546	13,395,548
Federal Revenue	8100-8299	2,662,154	386,570	386,570
Other State Revenues	8300-8599	1,915,623	1,065,121	1,103,461

Other Local Revenues	8600-8799	429,614	388,273	400,636
Total, Revenue		15,429,577	13,784,510	15,286,216
B. Expenditures				
Certificated Salaries	1000-1999	4,864,806	4,833,820	4,911,073
Classified Salaries	2000-2999	2,140,773	2,177,768	2,239,474
Employee Benefits	3000-3999	3,037,750	3,212,718	3,248,574
Books and Supplies	4000-4999	845,303	745,275	749,002
Services and Other Operating Expenditures	5000-5999	1,709,660	1,522,190	1,534,866
Capital Outlay/Depreciation	6000-6999	1,687,129	724,069	724,069
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	499,169	390,517	390,517
Other Outgo - Transfers of Indirect Costs	7300-7399	(58,018)	(58,018)	(58,018)
Total, Expenditures		14,726,572	13,548,341	13,739,557
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		703,005	236,169	1,546,658
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	120,940	103,000	103,000
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	-	-	-
Total, Other Financing Sources/Uses		(120,940)	(103,000)	(103,000)
E. Net Increase (Decrease) in Fund Balance		582,065	133,169	1,443,658
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	3,327,114	3,909,178	4,042,348
Audit Adjustments	9793	-	-	-
As of July 1- Audited		3,327,114	3,909,178	4,042,348
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		3,327,114	3,909,178	4,042,348
Ending Balance/Net Position, June 30		3,909,178	4,042,348	5,486,006
Components of Ending Fund Balance		-		
Nonspendable	9710-9719	7,500	7,500	7,500
Restricted	9740	2,101,067	2,087,179	2,122,130
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				
Other Assignments	9780	-	-	-
Unassigned/Unappropriated				
Reserve for Economic Uncertainties	9789	593,900	409,540	415,277
Unassigned/Unappropriated Amount	9790	1,206,711	1,538,129	2,941,100

Rounding used in calculations

Recommendations

The district should:

1. Monitor and project enrollment, ADA and UPP based on trends at each financial reporting period to ensure the most recent data is included in its budget assumptions.
2. Prepare separate enrollment, ADA and UPP projections for the school district and each district-operated charter school.
3. Analyze enrollment and ADA projections regularly, compare them to actual enrollment, and adjust budget and staffing as appropriate.
4. Continue to use the most current LCFF calculator, enrollment, ADA and UPC estimates when preparing and revising revenue projections.
5. Monitor and project revenue and expenditures using the most current information and assumptions available. Update revenue budgets throughout the year as award amounts become known, ensuring budgets match information provided by the CDE and award letters.
6. Continue to recognize carryover (unearned revenues) in the current year budget upon completion of the unaudited actuals, and ensure that unearned revenue is not included in the subsequent two years of the MYFP.
7. Continue to budget local revenues conservatively, updating the budget throughout the year as needed to account for year-to-date receipts.
8. Develop and implement plans to fully expend grant monies within the fiscal year earned.
9. Ensure that it adopts expenditure plans and submits the legal assurances for federal COVID funds as required.
10. Ensure that it is aware of and adheres to the various funding application and expenditure deadlines for COVID funds.
11. Use the MYFP to identify programs that may require a contribution from the unrestricted general fund in subsequent years, and take actions needed to ensure programs are self-sustaining.
12. Review expenditures charged to the ongoing and major maintenance account to ensure that only appropriate expenditures are charged to the resource.
13. Ensure the position control system includes items such as longevity, stipends, substitutes, extra duty, overtime, and vacation payouts.
14. Reconcile and adjust position control and budget using actual payroll data regularly, meaning at least at budget adoption and interim reporting periods, though more frequently is preferable.
15. Review payment schedules for retiree benefit payments and adjust budgets and MYFPs as appropriate.
16. Review payment schedules for debt service and include principal and interest payments in its budgets and MYFPs.
17. Charge each restricted resource and fund the full allowable indirect cost rate.

18. Monitor and project revenues and expenditures for all other funds throughout the year. Ensure that the financial impact on the unrestricted general fund in the current and two subsequent years is included in all MYFPs.
19. Analyze the division of expenditures between the district and charter schools. Evaluate and identify areas of cost reductions and/or revenue increases to reduce or eliminate deficit spending for the Minarets Charter High School.
20. Explore how to improve production efficiencies, participation rates, meal pricing, and commodity purchasing discounts to make the cafeteria program self-sustaining.
21. Review expenditures charged to expired funding sources, and transfer expenditures to another appropriate resource, eliminate or reduce the planned expenditures, or plan to make a contribution to the resource from unrestricted revenues.

Revenue Increases and Expenditure Reductions

Revenue Increases

Enrollment, Average Daily Attendance, and Unduplicated Pupil Percentage

Much of a school district's revenue is based on enrollment, average daily attendance (ADA), and unduplicated pupil percentage (UPP). By increasing enrollment, attendance and the percentage of students properly identified as unduplicated pupils, a district may increase revenues. In 2018-19 (the last full in-person school year prior to COVID-19), the average ADA rate for California unified school districts was 94.34% of enrollment. Although the district has consistently exceeded this rate, this remains a critical component of the district's funding. In 2018-19, the total district ADA rate was 94.59%, while its grade level groups varied from a low of 92.28% for grades 9-12 to a high of 96.10% for grades 4-6. Identifying grade level groups with lower ADA percentages will allow the district to target efforts to increase attendance.

Various methods can be used to increase student attendance, including incentives, parent education, and a system to notify parents immediately when students are absent. Increasing the attendance rate would provide additional revenue and additional time for student learning. The district may set an attendance goal at each grade span or at each school that is higher than the statewide average attendance rate or higher than each school's current rate. The district can display attendance graphs in prominent locations to show current attendance goals and comparisons between past and present school year attendance. The CDE website (https://www.cde.ca.gov/ls/ai/cw/attendstrategy.asp) identifies several strategies for improving attendance.

When developing its annual school calendar, the district needs to consider the effects of midweek holidays, religious and cultural holidays, staff development days and other days students commonly miss school. Analysis of historical attendance trends can show times during the school year when attendance is below average. For students going on a planned leave of more than five days, the district should consider offering short-term independent study. Saturday school can help recover time lost because of truancy. When implementing an alternative attendance make-up program, the district should be certain to adhere to state guidelines to ensure it can claim attendance apportionment.

The district's UPP has varied from 58.67% in 2016-17 to 45.09% in 2021-22. The district would benefit from ensuring it properly identifies all students who are eligible for free and reduced-price meals. The direct certification process can help, particularly when direct certification matches are performed at least monthly. For students who are not directly certified, the district can offer meal applications online, help parents who need assistance completing the application, and offer incentives to parents or students to submit applications. The district should retain documents to support any eligibility determinations and establish practices to audit samples of documents received.

Flexibilities provided by the USDA for child nutrition programs allow districts to provide two meals a day to any student who requests a meal regardless of income eligibility status; therefore, families have no incentive to complete the application for free and reduced-price meals. The best practice is to encourage these families to complete an alternate household income data collection form. The alternative form is simpler to complete, and the CDE has developed several sample forms to collect income eligibility information. The district will need to communicate with parents about how the collection of this data may increase revenue to the district and how the district may use the increased funding to provide improved or increased services to high needs pupils.

Fees and Other Charges

California law provides for a free public school system but includes some exceptions and authorizes certain fees. The CDE's Fiscal Management Advisory 20-01 (https://www.cde.ca.gov/re/lr/fm/) provides details on allowable fees. Any fees levied should remain in compliance with the district's Board Policy and Administrative Regulation 3260, Fees and Charges.

A district may charge a fee for field trips so long as no pupil is prevented from participating because of a lack of sufficient funds. The district could consider eliminating or reducing the number of field trips and athletic trips, particularly those that are out of state or require an overnight stay. The district may also consider soliciting donations to pay for field trips and athletic transportation.

Facility Use Fees

School districts are authorized by Education Code Section 38134 to charge fees to individuals and groups for their use of the school district's facilities. This code section also regulates the amount that may be charged for facility use. When implementing a facility use fee schedule or increasing fees for facility use, affected parties may not initially understand how construction funds such as general obligation bonds can be used. Although these resources may have been used to build district facilities, the district's general operating fund pays for ongoing operational costs such as utilities and maintenance. Therefore, when fees are not charged to outside organizations for the use of a school district's facilities or if the fees are insufficient to cover all the costs, the district subsidizes the organizations, which in turn reduces the funds available to meet students' educational needs.

When implementing a fee schedule for use of facilities, districts need to develop policies, procedures and standard forms to ensure that the fees comply with Education Code requirements, a system is in place to process requests in a consistent manner, and the district's insurance carrier has approved language on the liability the district assumes when allowing outside organizations to use its facilities.

Board Policy 1330, Use of School Facilities (October 9, 2018), and Use of Facilities Exhibit (October 9, 2018), describe the district's policies and procedures for using its facilities, and the fee schedule is available on the district website. An annual review of the fee structure can help ensure that charges are appropriate and that revenues gained fully cover the expenses of the associated facility use. Facility use revenues were minimal in 2020-21, presumably because of COVID-19 school closures. The district would benefit from ensuring consistency in managing the facilities request and billing process throughout the district.

Indirect Costs and Administrative Costs

FCMAT's review of reports from the district's financial system indicated that the district does not charge the maximum allowable indirect cost rate to all programs and other funds. All programs have general management costs, commonly known as indirect costs; these typically include administrative activities such as accounting, budgeting, payroll preparation, personnel services, purchasing, and central data processing. An indirect cost rate gives LEAs an efficient and standardized way to recover some general management costs from individual programs. The rates charged to each program are established by the CDE for all LEAs in California. An LEA may claim up to its approved indirect cost rate unless a specific authority (e.g., legislation or regulation) limits the rate. Charging each program and fund the maximum allowable rate allows an LEA to provide equitable indirect cost charges across the organization, ensures all general management costs are adequately supported by the various programs, and allows the district to understand the true cost of each program. According to the district's 2020-21 unaudited actuals, the district did not charge any indirect costs to the adult education fund, the child development fund, or the cafeteria fund. The district should calculate and charge the full indirect cost rate to all allowable restricted programs and other funds to show the true cost of each program and maximize unrestricted resources.

In addition, Education Code Section 17620(a)(5) allows the district to use up to 3% of the developer fees collected in a fiscal year for reimbursement of the administrative costs it incurred in collecting those fees and transfer those funds to its general fund. The district does not charge an administrative fee on developer fees.

Charter School Fees for Facilities, Oversight, and Other Services

As the sponsoring district of two charter schools, the district is permitted to charge for the actual costs of oversight, not to exceed 1% of a charter school's applicable revenues. The oversight fee may be up to 3% of the charter school's revenue if the charter school obtains substantially rent-free facilities from the authorizer. The petitions for both charter schools operated by the district acknowledge that it provides substantially rent-free facilities and is allowed to charge the maximum oversight fee of 3%. According to the district's 2020-21 unaudited actuals, the district transferred $55,000, or approximately 1.48% from the charter school fund to the general fund for oversight fees. The district should ensure that it maintains records of oversight and charges appropriately for this service up to the actual costs or 3%, whichever is greater.

In addition, the district may charge the charter schools for additional services such as fiscal services, human resources, technology, food services, special education, legal services, student testing, and others. FCMAT could not identify these charges for services in the general ledger.

Sales of Surplus Equipment

The district can sell unused or obsolete property, ranging from supplies and equipment, including computers and servers, to district vehicles. The best business practices include conducting an ongoing evaluation of surplus equipment to determine if items stored in empty classrooms or warehouses can be used at another school or be disposed of as surplus. Regularly reviewing and taking inventory of all fixed assets can help guide the district in its evaluation of existing surplus supplies and equipment. For larger items such as vehicles, or for items held in bulk, the district can contract with private auction companies to make the surplus sale easier. This process may also help minimize the cost for storage and potential exposure to theft.

Parcel Tax

Many districts have sought approval from local voters for a parcel tax to increase funding. Parcel taxes are normally levied at a flat rate per parcel and must be applied uniformly to all real property owners. The only permitted exemptions are for senior citizens and federal supplemental security income disability benefit recipients. Parcel taxes can be extremely difficult to pass because they require a two-thirds vote. The advice of experienced financial advisors and legal counsel should be obtained before determining whether to place a local parcel tax measure on the ballot.

Expenditure Reductions

Staffing Formulas

The district has not established staffing formulas for administrative or classified positions, although some maximum class size limits are included in the district's collective bargaining agreement with certificated employees. The district should consider developing staffing ratios for administrative and classified positions. This would enable the district to align staffing with enrollment. The district may also consider sharing administrators between smaller school sites.

Restricted Funds

The district has some carryover balances in its restricted programs, including unrestricted and restricted lottery, Title I, Title II Part A, Title IV Part A, Indian Education, Career Technical Education Incentive Grant, and Classified School Employee Professional Development Block Grant. The district should ensure all restricted funds are allocated properly to all qualifying expenditures before it expends unrestricted dollars. Restricted funds should always be spent in accordance with their respective program or funding guidelines. Ensuring that all qualifying expenditures are coded to the correct restricted programs can make available any unrestricted dollars that might otherwise have been transferred to a restricted resource. This helps ensure maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose.

Ongoing and Major Maintenance Account

Districts that participate in the state's school facility program are required to contribute 3% of their total general fund expenditures and other financing uses (less certain resources) to the ongoing and major maintenance account (resource 8150). The district's 2021-22 adopted budget includes a contribution of $485,873 to resource 8150 and shows a required minimum contribution of $396,369. The district should consider reducing expenditures in resource 8150 and contributions to the minimum required amount.

Health and Welfare Benefit Audit

A best practice is to conduct a verification and determination of eligibility for benefits for all active and retired employees every five years. FCMAT could not determine from interviews or documents whether this had been done at the district. Although this process requires staff time to complete, districts often find that they are paying for benefits for individuals who no longer qualify for them.

Retiree Benefits

Governmental Accounting Standards Board (GASB) Statement 75, released in June 2015, established standards for employers to measure and report their costs and obligations related to other post-employment benefits (OPEB), which include the costs for any post-employment medical, dental, vision, or prescription benefits. The district funds its OPEB expenditures on a pay-as-you-go basis and may, per Procedure 785 of the California School Accounting Manual (CSAM), "allocate to all activities in proportion to total salaries or full-time equivalent positions (FTEs) in all activities" the current year benefit costs for retirees. The district currently charges its entire OPEB expense to the unrestricted general fund, even though it could charge a portion to the restricted resources and to the other funds in proportion to the salaries paid from those resources in the fiscal year.

Special Education

The district's contribution to special education programs for 2021-22 is projected to be $1,140,525 or 79.95% of expenditures. This is well above the last published statewide average contribution rate of 65.88%. Special education costs are influenced by the identification of special needs students. The district should ensure that it implements structured interventions to support special education students in the general education environment and improve accurate identification of students who require special education services. The district should review assessment requests and determine if general education interventions are appropriate before assessment for special education.

As part of the AB 602 special education funding formula, the extraordinary cost pool program reimburses special education local plan areas (SELPAs) for extraordinary costs of single placements in nonpublic nonsectarian schools (NPSs) and for special education and related services for pupils residing in licensed children institutions (LCIs) (Education Code Section 56836.21). The district should track and monitor these costs throughout the year and apply for reimbursement of these costs when applicable.

Recommendations

The district should:

1. Communicate its educational strengths and course offerings to parents, students and the community, and continue to explore other options to increase student enrollment.
2. Implement strategies to maximize attendance.
3. Ensure accurate identification and reporting of its UPP. Ensure that school sites and departments verify their respective CALPADS data and correct it as needed before the report submission deadlines.
4. Consider implementing a fee for field trips, and/or soliciting donations to pay for field trip and athletic transportation costs.
5. Annually evaluate and update facility use fees to ensure the full costs of facility use are recovered. Consistently charge a facility use fee that covers no less than the direct costs of the facility use.
6. Charge and collect a 3% administrative fee on developer fees and transfer those revenues to the general fund.
7. Ensure that central office service fees and oversight fees are calculated and charged appropriately to charter schools.
8. Ensure it fulfills its charter school oversight responsibilities and has evidence showing fulfillment of these.
9. Review inventories of supplies, equipment, and vehicles to determine if obsolete or surplus items exist. Consider selling items no longer needed or useful to the district.
10. Evaluate the feasibility of putting a parcel tax measure before the voters.
11. Consider adopting staffing ratios for administrative and classified positions and reducing staffing as appropriate in alignment with its developed staffing ratios.
12. Ensure that restricted funds are allocated correctly to all qualifying expenditures before expending unrestricted dollars.
13. Charge each restricted resource and fund the full allowable indirect cost rate even if this results in a contribution from the unrestricted general fund.
14. Reduce its expenditures in resource 8150 and the contribution to the minimum amount required.
15. Conduct a verification and determination of eligibility for benefits for all active and retired employees and dependents every five years.

16. Review the CSAM and allocate the allowable cost of OPEB obligations to restricted resources and other applicable funds.

17. Implement structured interventions for special education students in the general education environment, and improve the accuracy of its identification of students as requiring special education services.

18. Track and monitor the costs for students placed in NPSs and pupils residing in LCIs, and apply for reimbursement of costs from the special education extraordinary cost pool.

Operational Processes and Procedures

Business Services

Budget Development

A school district budget communicates how the district plans to achieve its educational goals and objectives. The document is also the primary way the school board and administration demonstrate their use of public resources to the community. The process used to develop the budget, as well as the format of the related documents, are essential to ensuring those criteria are met.

FCMAT's visit to the district happened during a time of transition. The CBO had been in the position for only a few months and was not involved in developing the 2021-22 adopted budget. District budget development starts around February when district administrators meet to discuss each site's staffing needs. Based on this information, the number of full-time equivalent positions are allocated to sites, programs, and departments, including the two district-operated charter schools. School site allocations are based on a dollar amount per pupil. Unrestricted general fund site allocations follow a specific formula and are allocated based on prior year usage. Interviews indicated that estimated carryover of unspent restricted funds from the current year was not included in the adopted budget but was allocated after the unaudited actuals were completed.

Once the budget has been prepared, it is presented to the budget committee, which includes two board members. The committee reviews all aspects of the budget and ensures that the document is aligned with the district's vision, goals, priorities, Local Control and Accountability Plan (LCAP) and other comprehensive plans.

Enrollment and attendance projection should be improved to allow the district to project revenue more accurately. As mentioned previously, the district lacks an established process for projecting enrollment in subsequent years, with the most recent reported projections used as the basis for future years. Interviews indicated that it is customary for the budget to be built very conservatively, and for the subsequent years' enrollment to remain unchanged. This may be the district's past practice, but it is not consistent with its historical enrollment trends.

Under the CBO's leadership, budgets should be developed for each school in collaboration with the principals and their teams, and for various departments in cooperation with their respective managers and staff. Collaborating during this process would help create a sense of shared ownership and responsibility, a better understanding of budgetary issues and possibly fewer budget transfers during the year. In many districts, the Business Services Department often prepares budget development materials, provides budget workshops for site staff, and is available to help as work progresses, resulting in a more accurate and collaborative budget process.

With the introduction of the LCAP, budgets are aligned with the goals and objectives established by both the district and the other affected parties. When providing direction on the budget, the board should focus on resource allocation designed to meet the district's goals. This will allow staff to design an expenditures plan that meets student needs. Clear and efficient account coding should be developed and used for tracking goals and their associated actions and services within the district's LCAP. This will facilitate the completion of the annual update at the end of each fiscal year, and clearly communicate to all those affected how funds were used to accomplish the goals outlined in the LCAP.

The district should also continue improving communications regarding the budget to ensure all parties gain a better understanding of the budget document and budget development process. It is important that the budget document contain a narrative allowing all those affected to understand the data and the effectiveness of district budget allocations. This includes providing the board with regular updates at board meetings and budget study sessions throughout the budget development process.

FCMAT interviews also found that the district lacks a comprehensive budget development calendar. The best practice is for the district to create and implement a district-specific budget development calendar that lists tasks, timelines, and the position(s) responsible. The budget calendar should also include the steps taken to develop and create the district's LCAP. An annual calendar can improve the flow of communications but is limited in its usefulness unless widely distributed. This would allow principals and department managers to be adequately prepared to discuss their staffing needs and budget priorities.

Recommendations

The district should:

1. Develop and implement a process to involve the departmental staff in budget development.
2. Develop an accurate enrollment and attendance projection model.
3. Develop and document a process that provides for all components of the district's strategic plan to be included in budget development and integrated with the district's LCAP.
4. Create and implement LCAP account coding that clearly and efficiently tracks the actions and services related to each goal.
5. Continue to improve communications regarding the district's budget through clear narratives, periodic updates to staff, and board budget study sessions.
6. Develop a budget calendar that includes all dates for statutory deadlines and other budget development tasks so that administrators and staff are aware of budget deadlines.
7. Ensure that the budget calendar is distributed to all responsible parties.

Budget Monitoring

Budgets should be monitored regularly during the fiscal year to ensure appropriations are not overspent, revenues remain appropriately projected, and actual expenditures are not materially different than those budgeted. Revisions to major expenditure classifications are subject to board approval in accordance with Education Code Section 42600.

Many budget revisions are made during the fiscal year as additional information develops and district needs change. Budget revisions typically fall into the following three main categories:

- Material increases and decreases to estimated income and expenditure appropriations resulting from the receipt of new grant awards or donations.
- Budgeted carryover balances from prior years.
- Increases in expenditure appropriations to prevent budget overruns.

Monitoring budgets during the year includes helping school sites and departments ensure budgets are not overspent and activity is properly coded. Sites should have online access to the financial system and should be able to review applicable line items within the budget. If a school site or department needs to make budget adjustments during the year, site and/or department personnel notify the business office to request the completion of a transfer. This is a change from prior years when sites had access in the Escape financial system to make budget adjustments as needed.

The business office does not prepare a monthly budget versus actual summary report for presentation to the governing board. This practice would help the board and community understand that the budget is fluid and counter the perception that budget changes occur only at interim reporting periods. At a minimum, budget revisions should be submitted to the governing board at the following times:

- Within 45 days after the state budget is signed by the governor.
- When carryover and deferred revenue are added, but no later than October 15.
- With the first interim report (December).
- With the second interim report (March).
- In May, in preparation for closing the fiscal year.
- In June, to assess what the projected ending fund balance will be.
- Whenever the ending fund balance is materially affected.
- Whenever transfers between funds occur.
- Whenever negotiations conclude.

The district should work to minimize variances between budget and actual expenses at year-end closing, which is a common issue at many school districts. This will increase credibility with local employee associations, the community, and the governing board. Communication about budget adjustments and how they affect the district must be ongoing and transparent.

Some districts submit budget revisions to the board with interim reports, while others present revisions more frequently, such as monthly. This is especially important for adjustments that significantly affect the ending fund balance or other key aspects of the budget. As with many districts, this district's budget revisions are folded into the interim reports.

The district should also carefully review any AB 1200 communication from the county office, both following reporting periods and when any collective bargaining agreement disclosures have been submitted. These communications may alert the district to any budget issues that were overlooked in preparing financial documents. The district should monitor all budgetary guidance from the county office thoroughly to ensure accurate revenue projections.

Recommendations

The district should:

1. Review all sections of the budget monthly to help prevent large variances between budgeted and actual expenses at year-end closing.
2. Provide sites and departments with online access to their budgets, and consider allowing site personnel to enter budget transfers with approval of the transfers by business staff.
3. Prepare a monthly budget versus actual summary report for all funds, to be presented at a regular board meeting in open session.
4. Regularly report at board meetings the need for various budget adjustments, their cause, and how they affect the ending fund balance. This includes changes in operating costs,

active employee and retiree benefit trends, salaries and benefits as a percentage of all expenditures, contributions to restricted programs, ongoing versus one-time resources, general fund deficits, projected balances of reserve funds, and cash flow projections.

5. Carefully review all communication and guidance from the county office to ensure budget compliance.

Position Control

It is critical to maintain an effective position control system to manage the cost of salaries and benefits and to properly reflect those expenditures in the district's budget. Salary and benefit costs are the largest component of any school district's budget, averaging approximately 88% of the unrestricted general fund expenditures in unified districts statewide for the 2019-20 fiscal year. Therefore, accurately projecting salary and benefit costs is important.

An effective position control system will integrate with payroll and budget modules, facilitate the hiring and monitoring of staff, and can be used to update the budget at each reporting period. When the business office and Human Resources departments use one system, staff time and duplication of effort is reduced, and information can be produced on time. Maintaining accurate data is essential for budget development, collective bargaining, and providing effective services.

Position control should begin with board-approved staffing ratios based on site and department needs and should consider any collective bargaining agreements or legal requirements. Once the number of positions has been established, business and Human Resources should collaborate on the number of employees holding the correct credentials for the determined positions. This process should begin in January, giving the district sufficient time to manage possible layoffs and recruitments within the required timelines.

In addition, regularly scheduled interdepartment meetings are critical to effectively managing salary and benefit expenditures. Staff from the business and Human Resources departments should meet at least twice a year to balance all positions with those paid through payroll. Ideally, regular meetings ensure all parties are aware of any issues or discrepancies. Staff training on how each area affects the fiscal and budget matters is important in budgeting appropriately and ensuring proper payment to employees.

Position control functions also must be separated to ensure proper internal control. Position control is normally a process divided between district Human Resources and business departments, and no one person holds a position with position control as its primary definition/function. However, this can be a problem for smaller districts where staff perform numerous duties related to budget, payroll, and human resources.

Internal controls ensure the proper separation of duties between the two departments, which will provide a reasonable assurance that material weaknesses, serious errors or fraud are unlikely to occur. The controls must ensure that only board-authorized positions are entered in the system, Human Resources hires only for authorized positions, and payroll pays only employees hired for authorized positions.

Given the size of Chawanakee Unified, one position is responsible for creating the positions, entering the employee information into the newly created position, and then processing payroll for the employee in said position. This position also establishes salary placements and work calendars and closes positions that are no longer needed. This can create an opportunity for fraud via the creation of what is known as a ghost employee, a common fraud scheme in which a person who does not work for the district is entered into the payroll/position control system.

The district uses the Escape financial system's position control module. Management of this system is usually shared between the Human Resources and Business departments. However, given the size of Chawanakee Unified, and since a single position is responsible for entering new-employee data into Escape, creating positions, and processing payroll, management should implement internal controls to ensure unauthorized activities cannot occur.

As is the case with other areas, the district lacks consistent processes and alignment of job responsibilities between the business office and Human Resources. It should establish internal controls to ensure the proper separation of duties between the two departments.

The following table has suggested checks and balances to help provide the necessary internal control structure. However, for Chawanakee Unified, these tasks will need to be divided among the CBO, the Human Resources technician II, and the Human Resources technician III.

Task	Responsibility
Approve or authorize a position Staffing ratios	Governing Board
Enter approved positions into position control, with estimated salary/budget Assign each position a unique identification number	Business Department
Enter demographic data, such as: Employee name Employee address Social Security number Credentialing information Job classification Salary schedule placement Annually review and update step-and-column placement Annually review employee work assignments	Human Resources Department
Update employee benefits Review and update employee work calendars Annually review and update salary schedules (this may need to be completed more frequently, such as in the case of a collective bargaining settlement)	Business or Human Resources Department
Maintain budget, account codes Budget development and budget projections Salary and multiyear projections	Business Department

Recommendations

The district should:

1. Develop appropriate internal controls for a separation of position control duties between the Human Resources and Business departments. This should include duties such as the authorization of new positions, budget coding, and tracking employee demographic information.

2. Develop ratios for appropriate staffing of all departments and sites.

3. Ensure that position control is reconciled with budget and payroll regularly, at least during budget development and interim reporting periods.

4. Train all staff involved with the position control system.

5. Consider reassigning the task of entering salary/hourly wage/stipend type information from the Human Resources Department to a position in the Business Department.
6. Ensure the Human Resources and Business departments' staff and management are responsible for auditing the employee data entered into Escape Online, calculating and posting salary adjustments and time sheet data and reconciling employee absences.
7. Establish interdepartment meetings at least twice per year to reconcile position control with site/department staffing lists and payroll records.

Accounts Payable and Purchasing

The district employs one accounting technician I to manage accounts payable activities. At the time of fieldwork, the accounting technician I had been in the position for two years, but had notified the district of her resignation and was in her last week of employment. The accounting technician I also acts as the district's purchasing clerk. Purchase orders are required for most purchases, except for direct payments for utilities.

Requisitions are entered into the financial system by school site and department staff and are routed electronically for approval by the site administrator, accounting technician I, and CBO. Purchases of more than $5,000 require superintendent approval. After approvals have been obtained, the accounting technician I creates a purchase order and forwards it to the vendor. Materials and supplies are delivered to the sites, and site staff sign either a packing slip or a copy of the purchase order to acknowledge receipt of the goods, and forward this document to the accounting technician I. The accounting technician I matches the purchase order, the receipt documentation and the vendor invoice, then enters the payment information into the financial system. The accounting technician I prepares a prelist for the CBO to review before submitting a batch for processing through the Madera County Office of Education.

Printed warrants are returned to the accounting technician I, who prepares them for mailing to vendors. The district's accounts payable process gives the accounting technician I custody of the warrants once the county office issues them. The district has no internal controls to detect whether the technician appropriately distributes the warrants. The accounting technician I also can create new vendors and make changes to vendor information in Escape. Thus, one employee has sufficient access to both create a vendor and generate payments to a vendor. As a result, one employee could create a vendor, submit an invoice for payment, generate the payment, and remove it from the batch of warrants without the district's knowledge. These are significant internal control deficiencies.

Effective internal controls include segregating duties so no one employee handles a transaction from initiation to reconciliation, and no one employee has custody of an asset (such as cash or warrants) and maintains the records of related transactions. This prevents the same person from initiating, processing, and mailing warrants, and posting those transactions in the accounting records.

Credit cards are issued to four administrators and are kept locked in a safe in the district office. District office staff have access to the safe and use the cards on behalf of the administrators for some purchases. Purchase orders are not created with the estimated amount of annual credit card spending level. The accounting technician I or the administrative assistant to the superintendent enters a requisition into Escape for each credit card purchase. Staff reported that each card has a purchasing limit; however, there are no written policies and procedures for credit card use, and users are not required to sign a user agreement. Written policies and procedures on credit card use, including authorized purposes, maximum purchases, and prohibited purchases, should be developed. The policy should state that card holders will be held personally liable for unauthorized or inappropriate charges and state the consequences for misuse. Card holders should sign the user agreement annually.

FCMAT requested a copy of a credit card purchase with supporting documentation as an example. The copy provided was for $2,185 in custom window treatments that one of the school site principals purchased from Costco. The principal forwarded the receipt to the accounting technician I via email. The shipping address on the receipt appears to be that of a residence and not any school in the district. The district should require supplies and equipment purchased with district funds to be delivered to a district facility and should prohibit delivery to an employee's home address.

As with other positions in business and Human Resources, the district lacks an accounts payable procedures manual or desk manual. The accounting technician I uses an Escape manual and conference materials for guidance. Additionally, no other business services employee has been cross-trained in accounts payable duties, although the Human Resources technician II previously held the position. The best practice is to ensure each position has a manual that is specific to the district procedures and can be used by both the employee and others who may cover those duties.

Recommendations

The district should:

1. Ensure the accounting technician I responsible for accounts payable duties is adequately trained in all duties, including the purchasing functions.
2. Create and maintain desk procedural manuals for accounts payable and purchasing.
3. Continue to ensure that the CBO reviews the accounts payable prelist with the associated documents before processing by the county office.
4. Continue to require CBO approval of all purchase orders to ensure budgeted funds are available.
5. Ensure that the accounting technician I does not have access to and is not responsible for distributing warrants when they are returned to the district.
6. Assign an employee in the business office, other than the accounting technician I, to create new vendors or change vendor information in Escape. Give the accounting technician I read-only access to vendor information.
7. Establish districtwide purchasing procedures, with staff training, documentation and enforcement. Ensure that site staff are aware of purchasing protocols, including the use of purchase orders for all purchases.
8. Prohibit delivery of supplies and equipment to employee's homes or businesses and require all orders to be delivered to district facilities.
9. Develop written policies and procedures regarding credit card use including authorized uses, maximum purchase limits, and prohibited purchases. Ensure that card holders will be held personally liable for unauthorized or inappropriate charges and the consequences for misuse.
10. Require credit card holders to sign a credit card user agreement annually.

Accounts Receivable

The new position of business services technician II was created and filled in June 2021. The business services technician II assists in the general operation of the food services program, reviewing meal applications, performing direct certification, maintaining free and reduced meal eligibility data in the student information system, and preparing monthly meal reimbursement claims. The position has also assumed some accounts receivable duties formerly performed by the Human Resources technician II.

The business services technician II receives payments for retiree insurance, developer fees, facility use fees, day care fees, food service sales, and ASB funds. The technician reports that when funds are received in the district office, she counts them together with another district office employee. The technician prepares the deposit slips, and the administrative assistant to the superintendent takes deposits to the bank weekly.

Bank reconciliations are performed by the Human Resources technician II. This employee also writes checks from the revolving fund account. The checks require two signatures, and the second signature is that of the CBO. A sound internal control structure would include a procedure to assign a person who was not involved with the original transaction and recording process to reconcile bank statements and account balances each month.

FCMAT requested copies of bank reconciliations for May, June, and July 2021. The May reconciliation was completed on June 28, 2021. The reconciliation was not signed or dated by the person completing it, and there is no indication that a second person reviewed it. For the month of June, FCMAT received only a copy of the bank statement, with no reconciliation. No documents were received for July. Based on the lack of documents, FCMAT concluded that the district does not perform bank reconciliations in a timely manner. Bank reconciliations should be completed within two weeks of receipt of the bank statement and should be reviewed by a second employee. Both the person performing the reconciliation and the person reviewing the work should indicate their name and the date the work was performed and apply their signature to the reconciliation.

The June 30, 2020 audit report indicates an approved balance of $7,500 in the revolving fund account. The account balance as of the June 30, 2020 bank statement was $2,949.31. Reimbursements to the account are not made in a timely manner. This could lead to insufficient funds in the account and possible bank service fees. As disbursements are made from the account, the guardian of the account should request reimbursement to the account through the accounts payable process. This ensures that the expenditures made from the account are properly recorded in the district's financial statements, and that the approved balance is maintained. The account should be reconciled to the authorized balance and actual balance monthly.

Facility use applications are handled at each school site, and fees are collected by the site and sent to the district office. To provide greater internal control, this process should be centralized at the district office, with the school site administrator approving the availability of the facility requested. Facility use fees should not be collected at school sites, but should be delivered or mailed by the applicant to the district office. This process may be handled electronically by various software providers. The district should ensure that the facility use fee schedule is reviewed and updated annually, and that the fee is applied consistently to all groups that are not exempt.

Improved internal controls are necessary in accounts receivable to reduce the potential for errors and fraud. The CBO should maintain close oversight of these functions, and/or delegate regular monitoring and review to another staff member to ensure district assets are protected.

Recommendations

The district should:

1. Continue to ensure that two individuals count cash together and do not perform the count at different times.
2. Ensure that the individual assigned to reconcile bank statements is not the individual who writes and signs checks on the account.
3. Ensure that bank reconciliations are done monthly, preferably within two weeks of the statement date, and that any discrepancies in the underlying documents or between the book and bank balances are investigated thoroughly.
4. Ensure that bank reconciliations include the printed name, signature, and date the work was performed for both the preparer and the reviewer of the reconciliation.
5. Ensure that reimbursements to the revolving account are requested in a timely manner using the accounts payable process. The account should be reconciled to the authorized balance and actual balance monthly.
6. Transfer the facility use application and collection of fees to the district office.

Payroll

The district typically processes two payrolls each month (an end-of-month run and a supplemental run), and the county office generates the payments using the countywide Escape Online software. The district's Human Resources staff, which includes the payroll function, enters all employee data including pay rates and benefits. The superintendent and (currently vacant) human resources director position confirm new salary information and placement. The system can also generate ad hoc reports in response to human resources, payroll and business needs, and it includes employee and manager portals to view leaves and pay. The district uses a software package called Frontline Education (AESOP) to track absences, although this system is not integrated with Escape.

The responsibility of payroll lies with the Human Resources technician III, who had been in the position for approximately three years at the time of fieldwork. The county office and Escape offer frequent professional development opportunities and assistance, and the Human Resources technician III often participates in those trainings. Although one technician who processes payroll is sufficient for a district the size of Chawanakee Unified, it is imperative that adequate controls and coverage exist for this critical function. This is especially important when a single staff member occupies a specialized position for which there is little or no supporting coverage. As mentioned in previous sections, the district would likely need extensive assistance from the county office if the incumbent was absent because other Human Resources and business office staff members lack the knowledge to perform a complete payroll. The district also lacks a comprehensive payroll procedures manual that outlines the various tasks.

The function of payroll should ideally be transferred to the Business Department. For appropriate controls, separate positions in different departments should perform the functions or responsibilities of entering employees into the human resources system and paying those employees. Still, the district should identify at least one additional Business Department staff member who can provide emergency coverage, and ensure that this individual receives the necessary training to perform the task. The staff member should perform at least one payroll process in its entirety to ensure this is a functional alternative. The district should continue to provide ongoing training opportunities to the Human Resources technician III, as well as to the suggested supporting staff member, to further improve payroll knowledge and reduce the potential for payroll errors.

Because of the payroll function's limited coverage, the district also lacks sufficient internal controls over critical payroll processes. Although approvals are required for initial salary placement for staff, one position is responsible for entering or changing employee information in Escape and also processing payroll. When the payroll warrants are printed and returned to the district, this same individual distributes the warrants to employees. This employee can add a person to the payroll, process payment for that person, and distribute a check to that person. To strengthen internal controls, the district should segregate these duties, ensuring that no one employee handles a transaction from initiation to reconciliation. Although the CBO reviews each payroll, the position's various individual functions need additional oversight and monitoring. This includes safeguarding the integrity of the payroll process. Functions needing additional oversight restrictions and review include establishing a new employee, processing payroll and related functions, modifying the salary schedule, performing garnishments, and adding an "add-on" to an employee record, such as a stipend. Even though some of these modifications may occur infrequently, the CBO should review each action that may affect the pay or withholdings of one or more employees. The CBO should also regularly and carefully review each payroll to ensure adequate oversight of the whole payroll process.

Recommendations

The district should:

1. Develop potential options to transfer the payroll function to the Business Department.
2. Identify a business office staff member to cover critical payroll functions, and ensure the position is fully trained on the entire payroll process.
3. Offer additional and ongoing professional development to the Human Resources technician III and any supporting staff.
4. Given the district's staffing, strengthen internal controls by reviewing Escape access permissions, routing of payroll information and notifications, and oversight and review of functions affecting employee pay.
5. Ensure the CBO continues to review each payroll with supporting documentation.
6. Separate the functions of entering new employees into the system, processing payment for employees, and receiving and distributing checks to employees.
7. Develop and maintain a payroll procedural manual specific to the district that can be used by both the payroll technician and any position covering payroll functions.

Year-End Close

A detailed general ledger report for the balance sheet items was not received; therefore, the team cannot develop specific findings or recommendations, but will offer some general best practice recommendations about the year-end closing process.

At the end of each fiscal year, revenue accounts should be reviewed to determine if funds are outstanding that need to be posted as an accounts receivable asset item and appear in each respective fund's balance sheet in that fiscal year's unaudited financial statements. The next year, entries should be made as those funds are received so that the accounts receivable debit balance is reduced. Receivable balances should be reviewed monthly and cleared preferably by first interim. This balance should ultimately be reduced to zero to avoid duplicate revenue items in multiple years.

When closing the books in 2020-21, the district failed to accrue the fourth quarter unrestricted and restricted lottery revenue. In mid-July, the CDE publishes a memo providing estimates of the amount per ADA that districts should accrue for fourth quarter unrestricted and restricted lottery revenues. As a result, lottery revenues were understated on the district's 2020-21 financial statements, and will be overstated in 2021-22.

At the end of each fiscal year, the district should ensure that all open purchase orders are reviewed to determine if the goods or services were received or provided by June 30. Those that have been received or provided by that date should be posted as an accounts payable liability item and appear in each respective fund's balance sheet in that fiscal year's unaudited financial statements. During the next year, as those items are paid, entries should be made so that the accounts payable liability credit balance is reduced. Payable balances should be reviewed monthly and cleared preferably by first interim. This balance should ultimately be reduced to zero to avoid the district having duplicate expense items in multiple years.

All balance sheet accounts in the general ledger should be reconciled at least at each interim report and at year end close. A review of the summary balance sheet reports provided by the district shows several object codes with the same ending balances in 2019-20, 2020-21, and 2021-22 as shown in the following table.

Fund	Resource	Object	Beginning Balance	Activity	Ending Balance
01	N/A	9511 STRS Liability	(64.20)	-	(64.20)
01	00000	9512 PERS Liability	342.11	-	342.11
01	00000	9513 OASDI Liability	375.42	-	375.42
01	00000	9517 Medicare Liability	87.81	-	87.81
01	00000	9550 Deferred Payroll	130,751.30	-	130,751.30

Recommendations

The district should:

1. Ensure that all prior year accounts receivable entries are cleared within a reasonable amount of time, such as 90 days, after the district's books are closed. Develop a procedure to ensure that accounts receivable objects are at zero immediately before starting the next year's accounts receivable posting activities.

2. Ensure that accruals are set up for unrestricted and restricted lottery revenues and cleared when the fourth quarter lottery apportionment is made in September.

3. Ensure that all prior year accounts payable entries are cleared within a reasonable amount of time, such as 90 days, after the district's books are closed. Develop a procedure to ensure that accounts payable objects are at zero immediately before starting the next year's accounts payable posting activities.

4. Ensure that all balance sheet accounts are reviewed and reconciled at least at each interim report period and at year end close.

Training, Cross-Training, and Desk Manuals

Staff Training

An important way for an organization to improve efficiency, outcomes and customer service is to invest in a structured staff development program, based on organizational needs and goals and focused on the needs of individual departments and staff members. To accomplish this goal, staff members should be well trained in their respective roles. Training can result in improved employee skills, knowledge, abilities and customer service. Human Resources and Business staff training needs should be identified yearly, an annual plan should be put in writing, and staff receive the training needed to better support the district.

Most of the Human Resources and Business staff at Chawanakee Unified are either new to their position or new to the district. Because most districts went to a virtual working environment as a result of the COVID-19 global pandemic, training availability and opportunities had decreased significantly. As most districts continue to emerge from working in a virtual environment and training opportunities become available, the district should develop a training schedule for new and existing Human Resources and Business staff.

Because most of the employees in the Human Resources and Business Department are relatively new, the district has the opportunity to establish best practices and procedures for the staff. Training would allow both Human Resources and Business staff to understand their roles, provide better customer service in their interactions and provide correct information in a timely manner. In addition, both departments have highly technical aspects that would make a minor mistake costly for the district.

All staff members can benefit from formal training to ensure they completely understand the expectations, responsibilities, and duties of their respective positions. Appropriate training will also provide staff members with the resources to develop the current and new skills and knowledge needed to succeed in their positions and to prepare for potential advancement.

Recommendations

The district should:

1. Identify Human Resources and business staff training needs annually in writing.
2. Create a professional development schedule for all staff, including management.
3. Ensure staff receive training in all essential job responsibilities that are necessary to better support the district.
4. Ensure that staff and management attend training related to relevant Human Resources and business issues.
5. Design and budget for a staff and management training schedule.

Staff Cross-Training

Cross-training is essential to ensure district operations continue uninterrupted when an employee is absent or a position is vacant and to ensure employees can use their accrued vacation time. Cross-training staff would also provide employees with the opportunity to become well versed in various district operations and processes.

Given the district's size, cross-training will be vital. Only one employee is assigned to payroll. If this employee goes on vacation or an extended leave, no other trained or dedicated position could process payroll in a timely and appropriate manner.

Be the district is small, staff in the Human Resources and Business departments should be required to attend trainings such as county office meetings, California Association of School Business Officials (CASBO) workshops, School Services of California (SSC) workshops, Escape user conferences and workshops on issues related to the California State Teachers' Retirement System (CalSTRS), the Commission on Teacher Credentialing (CTC), and the California State Employees' Retirement System (CalPERS).

Staff should understand the importance of collaborating with human resources and business department staff from other districts and ask questions to better understand processes and procedures. This could also aid in the development of best practices. This could also increase the department's efficiency and morale by allowing the employees to work together, support one another, understand the difference between their roles as well as how they intermingle, respect the expertise/knowledge of staff, and provide better service to external staff.

Along with cross-training, management should provide clear written expectations and review job descriptions regularly so staff members are clear about what they are expected to learn and accomplish. It is often difficult to make the updating of job descriptions a priority, but updating them regularly is the key to ensuring that essential work is performed and that staff are trained appropriately. Updated job descriptions also provide clear expectations of job performance and functions for staff. Some of the staff members interviewed were uncertain about their respective job functions and duties.

Recommendations

The district should:

1. Implement cross-training for each position in the district office to ensure essential tasks and functions can be completed without interruption when an employee is absent, a position is vacant, or additional support is needed to complete tasks on time.
2. Ensure staff are assigned to both classified and certificated related work. Provide cross-training so that staff are well versed in both areas.
3. Develop clear, written expectations of all employees.
4. Provide training as needed for duties that are transferred from one employee to another.
5. Annually meet with employees and management to ensure job descriptions accurately describe the required job knowledge, skills, and abilities of the position.
6. Ensure that when job descriptions are updated, they include the date of first approval and/or revision approval made by the governing board.

Desk Manuals

Desk manuals that include processes and procedures help staff and management better understand each position's responsibilities and help ensure proper internal controls. Manuals can also help ensure necessary tasks are completed when the employee normally assigned to a particular duty is absent or a position is vacant.

At Chawanakee Unified, both the Human Resources and Business departments lack process and procedure manuals. Staff indicated they have an Escape training manual; however, this document is specific to the financial system and is not intended to be a desk manual. A best practice is to have staff create step-by-step procedures for each of their job duties and include workflow diagrams as part of desk manuals to ensure a better understanding of these duties and the timeline.

Each position in Human Resources and Business should ideally have a process and procedural manual. These manuals should be updated consistently and should be easy for other staff members or new employees to access and understand. There should be no lag in training new employees if the manuals are used as intended. In addition, the district should create a workflow that identifies the positions assigned to cover other positions when there is a vacancy or an extended leave of absence. This should allow Human Resources and Business staff to continue department operations when there is an unexpected vacancy.

A sample payroll timeline process workflow diagram is attached as Appendix A to this report. In addition, procedure templates should be developed and used for each process and procedure. A sample procedure template is attached as Appendix B to this report.

The template should include, but not be limited to, the following:

- Created date
- Owner of process and procedures
- Title
- Purpose
- Scope
- Responsibilities
- Definitions
- Referenced documents
- Forms

Some best practices for creating desk manuals include the following:

- Create individual documents for different processes and procedures.
- Include screenshots.
- Include feedback from other staff and departments.
- Include on the page the date the file was created and the author of the most recent updates.
- Use job titles instead of employees' names when documenting workflow.
- Keep the formatting simple so it can be edited easily.

- Keep the master copies in a shared location so other employees can easily access them.
- Keep both a local and a cloud-based secure backup of the files.
- Review and revise desk manuals once a year as needed.

Ensuring staff members follow the latest and most efficient processes and procedures will increase consistent results, help when training new employees and cross-training current employees, and eliminate dependency on one person/position. In addition, the district would also benefit from conducting regular meetings with all employees to discuss any new or amended procedures.

Recommendations

The district should:

1. Assign staff to complete a comprehensive, step-by-step procedure for each of their job duties and include this information in a desk manual.
2. Create a template to be used for each process and procedure.
3. Develop comprehensive desk manuals for each employee in the Human Resources and Business departments, ensuring they are reviewed and updated regularly.
4. Ensure workflow diagrams are created to help employees better understand coordination with other departments and positions.
5. Ensure other employees can understand and perform all duties when an employee is absent or needs assistance, or when a position is vacant.
6. Review and revise policies and procedure manuals periodically, but not less than once a year.

Human Resources

Onboarding and Customer Service (New and Existing Staff)

New employee onboarding is the process of integrating a new employee into an organization and its culture, ensuring that the employee has the tools and information needed to become a productive member of the team, and entering the employee's information accurately into the district's personnel and financial systems.

In most public sector organizations, several requirements must be completed before any employee begins employment. Highly efficient Human Resources organizations can decrease this delay. In addition, the onboarding process is a multidepartment effort involving Human Resources, benefits, payroll, information technology and others. The district could make improvements in this area.

Staff reports indicated newly hired staff did not have the necessary login credentials to access the appropriate systems. Given the remoteness of the district office and the school site locations, it is imperative that newly hired staff be given the tools needed to complete their job responsibilities. The district provided a "New Classified Hiring Checklist" as a part of FCMAT's document request. However, it is unclear if this document is used regularly and appropriately.

The Human Resources Department should focus on improving customer service. Several staff members stated that they did not know who to contact at the district office if they had a problem, or a concern related to employment matters. Because the district is redesigning its website, it should include a departmentwide listing and contact information that can be accessed by staff and the public. At present, the website lists the names, contact information and respective duties of the Human Resources staff.

Leadership is needed to facilitate better communication among staff members for any successful district office. The district has informal meetings between both business and Human Resources staff. These meetings help ensure better communication, resolve issues and promote a sense of teamwork. The district should also implement workshops with the administrative staff at the schools to improve customer service and communication. Information and training should be provided at the administrators'/principals' meetings and/or at separate training sessions to improve communication and discuss any changes in processes and procedures. This ensures staff districtwide are clear about any new policy or procedure change and know whom to contact with any questions.

Recommendations

The district should:

1. Ensure that staff understand that they are to focus on providing efficient and timely communications along with excellent customer service for both applicants and employees.
2. Establish a district standard for returning emails and telephone calls. If it will take longer to provide a complete response, ensure that the return communication includes an estimated time for providing the response.
3. Develop and distribute an Human Resources and Business Department staff list that includes the person's name, phone number, email address and job duty areas to assist customers in directing their questions and requests to the appropriate person.

4. Communicate with all staff regarding any changes to Human Resources and Business staff and changes in policies and procedures.
5. Review processes and procedures with key constituents including site administrators, classified and certificated representatives, and district personnel.
6. Conduct regular informal or formal departmental and staff meetings, as well as meetings with other departments, to improve communication channels.
7. Ensure that all staff in the district office understand the importance of providing customer service to others.

Job Descriptions

FCMAT reviewed the job descriptions and tasks performed by the various positions within the Human Resources Department and found that those of most positions matched the tasks that had been assigned to them. However, the Human Resources Department has an abundance of job classifications. Only 2.5 full-time equivalent (FTE) positions are allocated to the department.

Director of Human Resources	1.0 FTE
Human Resources Tech II	1.0 FTE
Human Resources Tech III	0.5 FTE

During FCMAT's interviews, there was some confusion about why the current human resources tech I was not being used or filled. If the human resources tech I classification is not needed or used, the duties of that position should be transferred to the remaining positions: human resources tech II and III. By not using all the classifications, the district could create an environment in which certain job tasks are not completed. For example, if the human resources tech I is responsible for recruiting, and that position remains vacant, it could be confusing to determine who is responsible for that specific task. Ideally, as the vacancies occur, the responsibilities of each vacant position should be temporarily shifted in accordance with job descriptions, until the position is filled.

Management and staff were unsure why there were so many classifications. Management provided FCMAT with an organizational chart, but that document appears to be for growth purposes and did not reflect the current allocated positions. With two housing developments under construction, the district's enrollment is expected to increase. One development is expected to build approximately 5,000 homes within the district boundaries.

FCMAT noticed the same pattern in the Maintenance, Operations, & Transportation (MOT) Department, which has 10 different MOT utility classifications.

MOT Utility I
MOT Utility IA
MOT Utility II
MOT Utility IIA
MOT Utility III
MOT Utility IIIA
MOT Utility IV
MOT Utility IVA
MOT Utility V
MOT Utility VA

Again, this can create confusion among staff about who is responsible for the tasks completed outside an employee's normal classification. Staff members working duties outside of their classification is known as "working out of class." This practice can be defined as an employee who is temporarily assigned to perform all the duties of a higher classification with a salary rate higher than his or her current assignment. In that case, the employee must be paid at the rate of the higher classification for all time worked in the assignment.

Most districts have a collective bargaining provision that includes directions for the employee and employer on how "out of class" works and how to pay staff appropriately. Chawanakee Unified does not have an exclusive representative for its classified staff. FCMAT could not find a board policy or provision in the employee handbook that addresses out-of-class work.

Recommendations

The district should:

1. Eliminate unused job classifications.
2. Ensure the eliminated job description tasks are allocated to classifications that are used or filled.
3. Create board policy or a board-approved employee handbook provision on out-of-class work.

Employee Handbook

The district is one of the few in the state in which classified employees are not exclusively represented by a union association. There is no board-approved collective bargaining agreement, which typically would address terms and conditions of employment, including salaries and benefit contributions. This presents a rare situation. The district must ensure policies and procedures for classified staff are addressed in either board policy, administrative regulation, or a board-approved employee handbook. FCMAT's staff interviews indicated confusion about how policies and procedures apply to classified employees, specifically related to benefit contributions and salaries. Board-approved policies or a board-approved employee handbook would ideally ensure consistent practices.

In most districts, the employer's contribution to employee health benefits is outlined in a board- approved collective bargaining agreement. This document usually outlines how much of a benefit contribution employees are entitled to based on their full-time equivalent (FTE) status. For example, an employee's assignment must be at least 0.75 FTE and the employer's contribution towards health benefits would be prorated based on the percentage of the employee's assignment to a full-time assignment.

FCMAT reviewed board policy and the employee handbook and could find no information about the employer's contribution toward employee benefits. FCMAT also could not locate information related to the benefits breakdown based on the employee's FTE. Because there is no board-approved benefits contribution, these benefit payments to staff could appear to be a gift of public funds.

As mentioned previously, a board-approved collective bargaining agreement normally addresses staff salaries. Items such as step increases, longevity pay, out-of-class assignment pay and stipends are also usually addressed in this document. Because Chawanakee Unified lacks a collective bargaining agreement with classified staff, it should develop policies for these employees and have them approved by the board and communicated to all classified staff.

Recommendations

The district should:

Update the employee handbook to include specific topics for classified staff such as the following:

a. Pay and allowances
    i. Out of class assignment and pay
    ii. Longevity pay
    iii. Stipends
b. Health and welfare
    i. Benefit contribution
    ii. Benefit eligibility
c. Definition of hours and overtime
d. Employee expenses
e. Leaves
f. Vacation
g. Disciplinary action

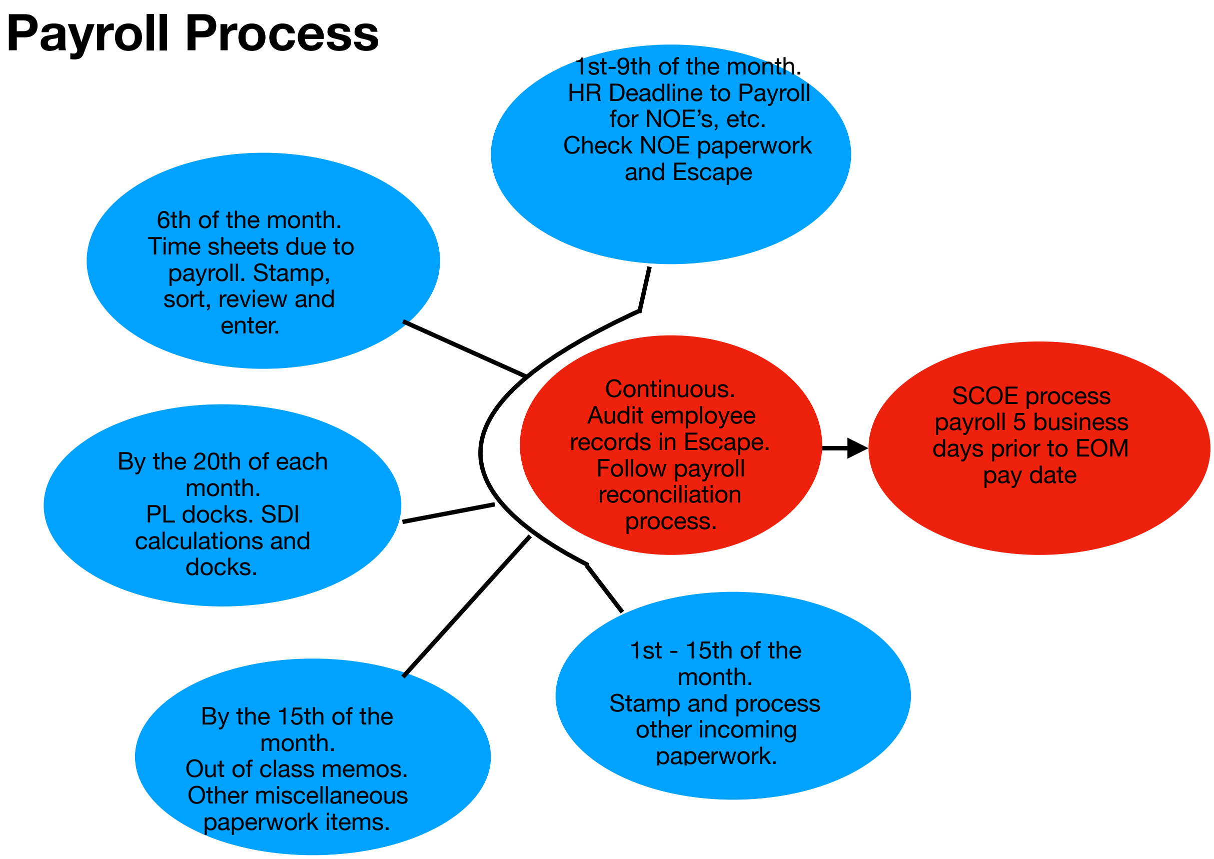
Appendices

A. **Sample Payroll Timeline**

B. **Sample Procedure Template**

C. **Study Agreement**

Appendix A - Sample Payroll Timeline



Appendix B - Sample Procedure Template

Title: Payroll Process of Absences		**Created Date:** 7/1/2018
SOP Number: OAM - 1	**Owner:** Payroll Department	**Review Due Date:** 7/1/2019
Author:	**SOP Type:** **Policy**	**Procedure**

1. Purpose

A method of monitoring employees time away from their current position.

2. Scope

The process of receiving, auditing and capturing attendance information that may affect the employees pay and posting adjustments online into the OCDE payroll system.

3. Responsibilities

3.1 Create an Absence

- 3.1.1 Timekeeper/employee creates absence in SFE
- 3.1.2 Payroll Specialist exports file from Frontline of all employee absences on 10th and 20th
- 3.1.3 Payroll Specialist uploads file online into OCDE payroll time and attendance
- 3.1.4 Payroll Specialist generates absence report from OCDE payroll time and attendance Business Objects report writer and email to payroll technicians
- 3.1.5 Payroll Technician reviews both attendance reports for absences and report for more than 1.0 or less than 0.1 a day
    - 3.1.5.1 Email or call department/site timekeeper for clarification
- 3.1.6 Payroll Technician audits for worker's compensation
    - 3.1.6.1 Email Risk Management employee's name and dates for approval or denial
- 3.1.7 Payroll Technician audits for unused compensatory time
    - 3.1.7.1 Payoff any compensatory time not used within 2 payrolls per CSEA contract
- 3.1.8 Payroll Technician posts adjustments online into the OCDE payroll timesheet

4. Definitions

4.1 **SFE** – Smart Find Express substitute calling system
4.2 **OCDE** – Orange County Department of Education
4.3 **CSEA** – California School Employee Association Article 7.A.2

5. Referenced Documents

5.1 CSEA bargaining agreement Article 7.A.2

6. Forms

Appendix C - Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
DRAFT STUDY AGREEMENT
June 10, 2021

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Chawanakee Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Review the district's 2021-22 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district appropriately plan for growth, eliminate its structural budget deficit and maintain fiscal solvency.

2. Review operational processes and procedures in the business services department and make recommendations for improved efficiency, if any, in the following areas:

    - Budget development
    - Budget monitoring
    - Position control
    - Accounts payable
    - Accounts receivable

- Payroll
- End of year closure of the books (2020-21 fiscal year)

3. Review operational processes and procedures in the human resources department and make recommendations for improved efficiency, if any.

4. Evaluate the current workflow and distribution of functions within and between the above departments and make recommendations for improved efficiencies, if any.

B. <u>Services and Products to be Provided</u>

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report - Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
6. Final Report - Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. **<u>PROJECT PERSONNEL</u>**

The FCMAT study team may include:

A. To be determined	***FCMAT Staff***
B. To be determined	***FCMAT Consultant***
C. To be determined	***FCMAT Consultant***

2

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

A. $800 per day for each staff member while on site, conducting fieldwork at other locations, preparing or presenting reports and participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.

B. All out-of-pocket expenses, including travel, meals and lodging.

C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be $18,400.

D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent, located on 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT

A. The district will provide office and conference room space during on-site reviews.

B. The district will provide the following if requested:

1. Policies, regulations and prior reports that address the study scope.
2. Current or proposed organizational charts.
3. Current and two prior years' audit reports.
4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.

C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Draft Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Chawanakee Unified School District named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

10. **HOLD HARMLESS**

FCMAT shall hold harmless the district, its officers, agents, and employees from all third-party suits, claims and liabilities resulting solely from negligent acts or omissions of FCMAT's officers, agents and employees undertaken under this agreement. The district shall hold harmless FCMAT, its officers, agents, and employees from all third-party suits, claims and liabilities resulting solely from negligent acts or omissions of FCMAT's officers, agents and employees undertaken under this agreement.

11. **COVID-19 PANDEMIC**

Because of the existence of COVID-19 and the resulting shelter-at-home orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections I, IV and V herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).

C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

Ncithcr party will bc liablc for any failurc of or dclay in thc pcrformancc of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

13. CONTACT PERSON

Name: Marcy Guthrie, Ed.D.
Telephone: (559) 877-6209
E-mail: mguthrie@mychawanakee.org

6.14.21

Marcy Guthrie, Ed.D., Superintendent — Date
Chawanakee Unified School District

June 10, 2021

Michael H. Fine, — Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team