FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

September 24, 2024

Cuyama Joint Unified School District

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

September 24, 2024

Alfonso Gamino, Superintendent/Principal
Cuyama Joint Unified School District
2300 Highway 166
New Cuyama, CA 93254

Dear Superintendent/Principal Gamino:

In July 2024, the Cuyama Joint Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

> Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify the Client's specific risk rating for fiscal insolvency.

This fiscal health risk analysis is required by California's 2018-19 Budget Act because the district has been designated a lack of going concern by the county superintendent of schools.

This report contains the fiscal health risk analysis and the study team's findings and recommendations.

FCMAT appreciates the opportunity to assist the Cuyama Joint Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

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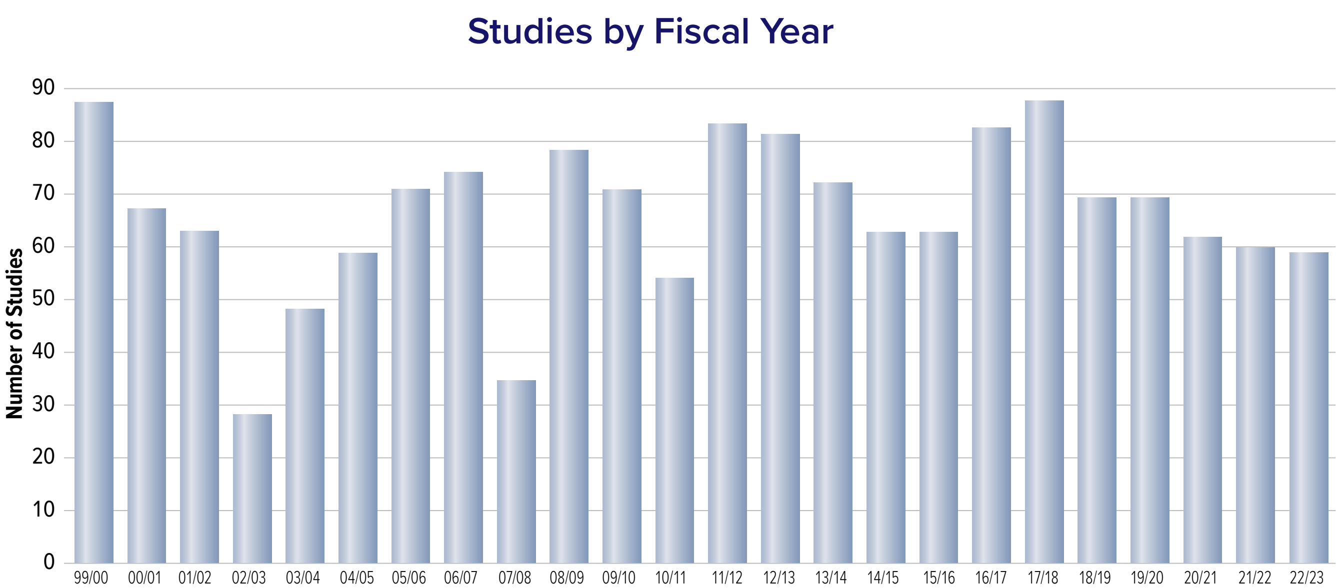
About FCMAT

FCMAT's primary mission is to assist California's local TK-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 TK-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 1991 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

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

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

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

This fiscal health risk analysis is being conducted because the district had the following condition(s), under which an analysis is required by the 2018-19 State Budget Act.

- Lack of going concern designation.

As a result of the lack of going concern designation, FCMAT performed a fiscal health risk analysis to determine the district's level of risk of insolvency. This FHRA analysis and evaluation of the level of risk of insolvency is based on the district's 2023-24 second interim financial reporting period.

Located in Santa Barbara County, the Cuyama Joint Unified School District has a student enrollment of 171 for the 2023-24 fiscal year. The district serves students in transitional kindergarten through 12th grade at three schools, including a continuation school, and is the authorizer of one charter school. The district's unduplicated pupil percentage, which includes students identified as English learners, foster youth, or are eligible for free or reduced-price meal, is approximately 84.8%.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Cuyama Joint Unified School District on July 23, 2024, and a FCMAT study team visited the district on August 20-21, 2024 to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement; it does not generally comment on those that may be functioning well. In writing its reports, FCMAT uses the Associated Press Stylebook and its own short, internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

Study Team

The team was composed of the following members:

Jennifer Noga, CFE
FCMAT Intervention Specialist

Michael Ammermon, CPA, CFE, CRFAC, DABFA
FCMAT Intervention Specialist

Leonel Martínez
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For K-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: August 20 and 21, 2024

District: Cuyama Joint Unified School District

Summary

The Santa Barbara County superintendent of schools designated the Cuyama Joint Unified School District as a lack of going concern in June 2024. Education Code (EC) 42127.6 requires this designation any time the county superintendent determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years. The county office notified the district about its concerns of financial solvency in a letter dated June 26, 2024. The county office identified critical issues affecting the district's cash flow and fund balance resulting from the district's second interim financial report. Key concerns included:

- The district's inaccurate recording of revenues and expenditures, which has resulted in a projected decline in available reserves to 6.17% for the current fiscal year (2023-24) and to 0.73% in 2024-25.
- The district's historical trend of deficit spending in approximately 10 of the past 20 years.

In response to the county's designation, the district was required to:

- Submit a cash management plan for the 2024-25 fiscal year.
- Encumber all contracts and other obligations, prepare an appropriate cash flow analysis and monthly or quarterly budget revisions, and appropriately record all receivables and payables.
- Submit a formal board-adopted proposal to address the fiscal condition that resulted in the determination that the district may not be able to meet its financial obligations. This document is due to the county office by August 15, 2024.
- Contract with the Fiscal Crisis and Management Assistance Team to perform a Fiscal Health Risk Analysis.

The fiscal health risk analysis score of 38.3% indicates the district is at a moderate risk of insolvency. However, because the district has conditions noted in the Budget and Fiscal Status or Material Weakness sections below, the risk level is elevated to a high risk of insolvency. This is due to the presence of significant risk factors of fiscal weaknesses and areas of concern that contribute to fiscal distress. Significant risk factors include budget development and monitoring; cash management; enrollment and attendance; fund balance and reserve for economic uncertainty; and leadership and stability. The FHRA's risk factors of annual independent audit report and management of special education services do not rank in the top five risk factors. Lack of action and oversight in these areas has resulted in significant risks to the district's overall financial health and program success for the students in its special education program, and these are a concern.

The 2022-23 audit report identifies that the district has not corrected some prior year audit findings, while also highlighting new findings and the associated penalties for several significant issues:

- An uncorrected attendance finding that indicated unmet minimum instructional minutes with a potential financial impact of $15,374. Fiscal year 2022-23 had a repeat finding for instructional minutes with an estimated penalty of $7,344.
- Inaccurate accounting entries resulted in a general fund overstatement of $77,628 in fiscal year 2022-23, which was a repeat finding from 2021-22. The prior year inaccurate accounting entries in the general fund resulted in an overstatement of $40,691.
- Overreported ADA resulting in an estimated penalty of $23,043.
- Overreported unduplicated pupil count issues decreased LCFF revenue by $83,977.

Furthermore, all three of the most recent audit reports contain material weakness findings, demonstrating a persistent lack of compliance and corrective action over the years.

Despite the county office's repeated warnings and guidance, the district has not adequately addressed its deficiencies, particularly regarding its persistent deficit spending and compliance with minimum reserve requirements. The lack of a projected cash flow in its 2023-24 second interim financial reporting period for the current and upcoming years hinders the district's ability to foresee and manage potential financial challenges effectively.

District Fiscal Solvency Risk Level: High

About the Analysis

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

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and a lack of attention to these critical areas will eventually contribute to the deterioration of a district's fiscal health. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

The greater the number of "no" answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily in calculating a district's fiscal stability score. To help the district, narratives are included for responses that are marked as a "no" so the district can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

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

Areas of High Risk

The following sections duplicate certain questions and answers given in the Fiscal Health Risk Analysis Questions later in this document and identify conditions that create significant risk of fiscal insolvency. The existence of an identified budget or fiscal status or a material weakness indicated by a "no" answer to any of these items supersedes all other scoring and will elevate the district's overall risk level.

Budget and Fiscal Status

Is the district currently *without* the following?:	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation	☐	✓

Material Weakness Questions

		Yes	No	N/A
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐

3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	☐	☐
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	☐	✓	☐
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	☐	✓	☐
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	✓	☐
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	✓	☐	☐
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	✓	☐	☐
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	☐	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	☐	☐
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	✓	☐	☐
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	☐	✓	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	☐	✓	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	☐	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☐	✓	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	✓	☐
19.1	Does the district account for all positions and costs?	✓	☐	☐

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding error and are provided for information only.

1.	Annual Independent Audit Report	0.5%
2.	Budget Development and Adoption	1.4%
3.	Budget Monitoring and Updates	2.9%
4.	Cash Management	7.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	1.2%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.9%
9.	Employee Benefits	2.3%
10.	Enrollment and Attendance	3.5%
11.	Facilities	0.0%
12.	Fund Balance and Reserve for Economic Uncertainty	3.5%
13.	General Fund - Current Year	1.0%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	1.4%
16.	Leadership and Stability	3.1%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	1.6%
19.	Position Control	1.0%
20.	Special Education	2.3%
Score		**38.3%**

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status

Is the district currently *without* the following?:

	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
“Lack of going concern” designation	☐	✓

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	**Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?**	☐	✓	☐

The district’s 2022-23 audit report includes both 2021-22 prior year findings and current year findings that may affect the district’s financial health. The 2022-23 audit report included uncorrected financial findings from the prior year, 2021-22, that affected the district’s financial health as follows, “ … the District’s General Fund was overstated by $40,691; the District’s Cafeteria Fund was overstated by $24,050; the District’s Building Fund was overstated by $41,959, and the District’s Non-Major Governmental Funds were overstated by $18,965.” An uncorrected prior year attendance finding of 1,160 unmet minimum instructional minutes has a potential financial impact of $15,374.

Additionally, the 2022-23 audit report identifies numerous over- and understatements of general fund and nonmajor fund balances. The general fund was overstated by $77,628, the building fund was understated by $6,372, and nonmajor governmental funds were understated by $24,163. The audit report notes an overreporting of 1.57 in unallowable ADA that includes a penalty totaling $23,043 in potential costs to the district. An overreported unduplicated pupil count of 28 also decreases Local Control Funding Formula (LCFF) revenue by $83,977.

		Yes	No	N/A
1.2	**Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.)**	☐	✓	☐

According to EC 41020(h)(1), local educational agencies (LEAs) are required to file their audit report for the previous fiscal year with the county superintendent of schools by December 15. Additionally, by January 31 of the following year, the governing body of each LEA must conduct a public review of the annual audit. This includes addressing any audit exceptions, recommendations or findings from the auditor’s management letter, and outlining plans to resolve any identified issues. The review must be scheduled as a specific agenda item for a public meeting.

The district's 2022-23 audit report was not issued by the December 15, 2023 due date. An extension of the audit report deadline was granted on January 16, 2024, as shown below:

> The State Controller's Office agrees to grant your December 07, 2023 request for an extension of the December 15, 2023, filing deadline for the Cuyama Joint Unified annual audit report. We expect to receive the fiscal year 2022-23 audit report by February 29, 2024. Please notify us promptly if additional delays are anticipated in filing the report.

No additional extensions were issued. However, the audit report was dated March 1, 2024, which was one day past the extended February 29, 2024 deadline.

		Yes	No	N/A
1.3	**Were the district's most recent and prior two audit reports free of findings of material weaknesses?**	☐	✓	☐

The most recent and prior two audit reports ending June 30, 2021, 2022, and 2023 all contain material weakness findings.

		Yes	No	N/A
1.4	**Has the district corrected all reported audit findings from the most recent and prior two audits?**	☐	✓	☐

FCMAT reviewed the 2021, 2022, and 2023 audit reports. The 2022 audit report section, "… Prior Audit Findings," which references findings for 2021, indicates that two of the three prior year findings were not implemented. The 2023 audit report findings from the prior year also indicate that two of the four findings in 2022 were not implemented. For the current year, 2023, there is no evidence indicating those findings have been corrected.

2. Budget Development and Adoption

		Yes	No	N/A
2.1	**Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?**	✓	☐	☐
2.2	**Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?**	✓	☐	☐
2.3	**Does the district use position control data for budget development?**	✓	☐	☐
2.4	**Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?**	✓	☐	☐
2.5	**Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?**	✓	☐	☐
2.6	**Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?**	✓	☐	☐
2.7	**Does the district budget and expend restricted funds before unrestricted funds?**	☐	✓	☐

The district staff should assess whether categorical funds are being used for maximum impact. Exploring ways to allocate these funds more strategically could help relieve pressure on the unrestricted general fund. For example, during interviews, a question was raised regarding the use of CTEIG funds to pay for staff salaries. FCMAT confirmed that CTEIG dollars can indeed be used for staff, but only when the salaries are tied to activities directly supporting the CTE program, such as instruction or administration. However, it's important to note that these funds must supplement, not supplant, existing funding sources. This means that CTEIG funds cannot be used to replace district funds already allocated for staff.

Since the district has been funding these staff positions through existing resources, transitioning to CTEIG funding will require careful planning to ensure compliance. District leadership will need to clearly differentiate between the base program and the supplemental services that CTEIG is designed to enhance. This process should be managed thoughtfully to avoid any supplanting concerns and ensure alignment with CTEIG guidelines.

Additionally, this is just one grant mentioned during interviews. The district should conduct a similar review of all categorical programs to ensure funds are being maximized in compliance with their specific requirements.

2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year? . . . . ✓ ☐ ☐

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

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

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

The district lacks a documented policy or procedure for evaluating the proposed and potential multiyear impact of grants and other types of restricted funds.

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

The district lacks a detailed budget calendar that outlines tasks, deadlines and the staff member or department (including the county office or consultants) responsible for completing each task.

3. Budget Monitoring and Updates

	Question	Yes	No	N/A
3.1	**Are actual revenues and expenses consistent with the most current budget?**	✓	☐	☐
3.2	**Are budget revisions posted in the financial system at each interim report, at a minimum?**	✓	☐	☐
3.3	**Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?**	✓	☐	☐

		Yes	No	N/A
3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?**	✓	☐	☐
3.5	**Do the district's responses fully explain the variances identified in the criteria and standards?.**	✓	☐	☐
3.6	**Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?**	☐	✓	☐

The county office has identified concerns about deficit spending and meeting the minimum reserve requirements. Additionally, the county office expressed concerns about inaccurate revenues and expenditures during the year-end closing process, as well as audit penalties for inaccurate reporting of the district's average daily attendance (ADA), noncompliance with instructional time requirements, and failure to maintain adequate documentation for the Free and Reduced-Price Meals (FRPM) students, which resulted in a $77,628 audit adjustment.

		Yes	No	N/A
3.7	**Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?**	☐	✓	☐

The district does not prohibit processing requisitions or purchase orders when the budget is insufficient to support the expenditure. Sites manually complete requisition forms and submit them to the business department. Since the sites do not have access to budget data, they may be unaware of whether sufficient funds are available at the time of the request. Once received by the Business Services Department, the requisition is entered into the district's financial system, Escape, where it is converted into an electronic requisition and then into a purchase order, allowing for proper budget verification before finalization.

		Yes	No	N/A
3.8	**Does the district encumber and adjust encumbrances for salaries and benefits?**	✓	☐	☐
3.9	**Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?**	☐	✓	☐

The district has a history of not reconciling its balance sheet accounts at interim reporting periods or year-end close. To help, the county office has taken it upon itself to remind the staff at the district to review the balances as various revenues or invoices are received.

		Yes	No	N/A
3.10	**For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?**	✓	☐	☐

4. Cash Management

		Yes	No	N/A
4.1	**Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?**	✓	☐	☐
4.2	**Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?**	☐	✓	☐

Interviews with the district and county office staff indicated that the bank statements have not been reconciled for more than six months.

4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? . . . . ☐ ✓ ☐

On June 26, 2024, the county office issued a lack of going concern letter identifying numerous budgeting, accounting, and operational deficiencies and the need for a cash management plan. As of 2023-24 second interim report, the district only projects the current cash flow and has no cash flow projection for the subsequent year.

4.4 If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? . . . . ☐ ✓ ☐

Because the district does not complete its cash flow projections for the subsequent fiscal year, it cannot determine if it has sufficient cash to support its projected obligations. Interviews indicated that the district's plan would be to borrow from another fund, and it is unknown if the other funds have sufficient cash reserves. According to the district, a plan was not in place.

4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? . . . . ☐ ✓ ☐

Interviews indicated that the cafeteria fund (Fund 13) does not have sufficient funds to support its current and projected obligations. On June 26, 2024, the county office issued a lack of going concern letter identifying numerous budgeting, accounting, and operational deficiencies and the need for a cash management plan.

4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603?. . . . . ✓ ☐ ☐

4.7 If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement? . . . . . ☐ ☐ ✓

5. Charter Schools

		Yes	No	N/A
5.1	**Does the district have a board policy or other written document(s) regarding charter oversight?.**	✓	☐	☐
5.2	**Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?**	✓	☐	☐
5.3	**Are all charters authorized by the district going concerns and not in fiscal distress?**	✓	☐	☐
5.4	**Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?**	✓	☐	☐

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	**Has the district settled with all its bargaining units for the past two fiscal years?**	✓	☐	☐
6.2	**Has the district settled with all its bargaining units for the current year?**	☐	✓	☐

Negotiations for fiscal year 2023-24 are not settled.

		Yes	No	N/A
6.3	**Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?**	✓	☐	☐
6.4	**Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?**	✓	☐	☐
6.5	**In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)?**	☐	✓	☐

The district has not settled for fiscal year 2023-24. According to the AB 1200 disclosure documents, the district settled with both the classified and certificated bargaining units for 2022-23, giving a salary increase of 7%. The statutory COLA for fiscal year 2022-23 was 6.56%.

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

7. Contributions and Transfers

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

The district lacks a plan to reduce contributions/transfers from unrestricted general funds to other restricted programs and/or funds.

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

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

8. Deficit Spending (Unrestricted General Fund)

		Yes	No	N/A
8.1	**Is the district avoiding deficit spending in the current fiscal year?**	☐	✓	☐
	The 2023-24 second interim report projected deficit spending of $44,232 in the unrestricted general fund in the budget year.			
8.2	**Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?**	☐	✓	☐
	The 2023-24 second interim report projected deficit spending of $190,023 in the unrestricted general fund in 2024-25 and $126,896 in 2025-26.			
8.3	**If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?**	☐	✓	☐
	Interviews indicated that the district lacks a board-approved plan to reduce and/or eliminate deficit spending to ensure fiscal solvency in the current and two subsequent fiscal years.			
8.4	**Has the district decreased deficit spending over the past two fiscal years?**	✓	☐	☐

9. Employee Benefits

		Yes	No	N/A
9.1	**Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?**	☐	✓	☐
	The district did not provide documentation that an actuarial valuation for the district's unfunded liabilities had been completed within the last two years.			
9.2	**Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments no greater than 2% of the district's unrestricted general fund revenues?**	✓	☐	☐
9.3	**Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?**	☐	✓	☐
	The district has a collectively bargained cap on vacation balances, but it is not enforced.			
9.4	**Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?**	☐	✓	☐
	Interviews indicated that the district has not conducted a benefits eligibility review within the last five years.			

		Yes	No	N/A
9.5	**Does the district track, reconcile and report employees' compensated leave balances?**	☐	✓	☐

Interviews indicated that the district recently incurred a significant payout to an employee upon separation. Additionally, the current staff accrues compensation time, and no one at the district tracks this or ensures that the employees are using the time.

10. Enrollment and Attendance

		Yes	No	N/A
10.1	**Has the district's enrollment been increasing or remained stable for the current and two prior years?**	☐	✓	☐

The district's enrollment has fluctuated over the current and two prior years, with an increase from 172 in 2021-22 to 182 in 2022-23, followed by a decrease to 171 in 2023-24.

		Yes	No	N/A
10.2	**Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?**	☐	✓	☐

The district did not provide evidence of a process for monitoring and analyzing enrollment and ADA at least monthly through P-2.

		Yes	No	N/A
10.3	**Does the district track historical enrollment and ADA data to establish future trends?**	☐	✓	☐

No documentation was provided to show that the district tracks historical enrollment and ADA data to establish future trends. FCMAT's review of the second interim LCFF calculator shows that the district has projected flat enrollment and ADA trends when completing its LCFF calculator.

		Yes	No	N/A
10.4	**Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?**	✓	☐	☐
10.5	**Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?**	✓	☐	☐
10.6	**Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?**	☐	✓	☐

The district used flat enrollment projections in the 2023-24 second interim report and LCFF calculator despite historical data showing fluctuations; 171 students in 2021-22, 182 in 2022-23, and 171 in 2023-24. The district did not use a cohort survival method or any other industry-standard method that accounts for these trends.

		Yes	No	N/A
10.7	**Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?**	✓	☐	☐
10.8	**Has the district planned for enrollment losses to charter schools?**	☐	☐	✓
10.9	**Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?**	✓	☐	☐

		Yes	No	N/A
10.10	Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?	✓	☐	☐

11. Facilities

		Yes	No	N/A
11.1	If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	☐	☐	✓
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
11.3	Does the district properly track and account for facility-related projects?	✓	☐	☐
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	✓	☐	☐
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	☐	☐
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	✓	☐	☐
11.7	If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	✓	☐	☐
11.8	Does the district have a long-range facilities master plan that reflects its current and projected facility needs?	☐	✓	☐

Interviews indicated that the district does not have a long-range facilities master plan that reflects its current and projected facility needs.

12. Fund Balance and Reserve for Economic Uncertainty

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

The 2023-24 second interim report indicates that the district will meet the required minimum reserve for fiscal year 2024-25. For fiscal year 2025-26, the district projects a negative 1.25% reserve, which is below the minimum required reserve of 5%.

		Yes	No	N/A
12.3	**If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?**	☐	✓	☐

Interviews indicated that the district lacks a board-approved plan to restore the reserve.

		Yes	No	N/A
12.4	**Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?**	☐	✓	☐

The district second interim report demonstrates that the unrestricted general fund balance is not stable but is decreasing over the two subsequent fiscal years. Fund balances are declining as follows: current year, 2023-24, declining by -$44,232; subsequent years 2024-25 and 2025-26 declining by -$190,023 and -$126,896 respectively. (Fund balance figures are rounded.)

		Yes	No	N/A
12.5	**If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level?**	☐	✓	☐

Interviews indicated that the district has not set aside sufficient assigned or committed reserves above the recommended reserve level in its unrestricted general fund balance to cover unfunded or contingent liabilities or one-time costs other than post-employment benefits. As described in 12.4 above, the district fails to meet the minimum reserve requirements even for its basic program requirements.

13. General Fund – Current Year

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

FCMAT's review of various documents indicates that the district uses restricted funds with different expiration dates. However, the team could not confirm whether the district has a plan to reduce staff once these funds are depleted or expire.

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

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

14. Information Systems and Data Management

		Yes	No	N/A
14.1	**Does the district use an integrated financial and human resources system?**	✓	☐	☐
14.2	**Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?**	✓	☐	☐
14.3	**Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?**	☐	✓	☐

The 2022-23 audit report identifies an overreported unduplicated pupil count of 28 pupils, decreasing LCFF revenue by $83,977. The audit identified that the district did not have an eligibility determination on file for some students categorized as eligible for free or reduced-price meals. According to the audit report, the district opted to extrapolate the error over the entire population of students who receive free or reduced-price lunches (56 per review of the CALPADS Form 1.18), which resulted in the overstatement of 28 FRPM students.

		Yes	No	N/A
14.4	**Is the district using the same financial system as its county office of education?**	✓	☐	☐
14.5	**If the district is using a separate financial system from its county office of education, is there an automated interface with the financial system used by the county office of education?**	☐	☐	✓
14.6	**If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?**	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	**Does the district have controls that limit access to its financial system and include multiple levels of authorization?**	✓	☐	☐
15.2	**Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?**	✓	☐	☐
15.3	**Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:**			
	• **Accounts payable (AP)**	✓	☐	☐

	Yes	No	N/A
• **Accounts receivable (AR)**	☐	✓	☐

Segregation of duties is insufficient. According to the district, the business manager creates the bills, enters the receivables in the accounting system, and is responsible for monitoring them.

	Yes	No	N/A
• **Purchasing and contracts**	✓	☐	☐
• **Payroll**	✓	☐	☐
• **Human resources (i.e., duties relative to position control and payroll processes).**	✓	☐	☐
15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
15.5 Does the district review and work to clear prior year accruals throughout the year?	☐	✓	☐

Based on the findings noted above (as referenced in question 1.4), it appears that the district does not consistently review and clear prior year accruals throughout the year, as several prior year financial issues remain uncorrected.

	Yes	No	N/A
15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	☐	☐
15.7 Does the district have processes and procedures to discourage and detect fraud?	✓	☐	☐
15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?	☐	✓	☐

Interviews indicated that the district does not have a process for collecting reports of possible fraud and for following up on such reports.

	Yes	No	N/A
15.9 Does the district have an internal audit process?	☐	✓	☐

The district does not have an internal audit process.

16. Leadership and Stability

	Yes	No	N/A
16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years?	☐	✓	☐

The business manager has been in the position since May 2024.

	Yes	No	N/A
16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years?	✓	☐	☐
16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?	☐	☐	✓
16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management?	☐	✓	☐

Interviews indicated that the staff at the district office manage the entire budget and therefore department-level staff and administrators have not received any budget management training.

		Yes	No	N/A
16.5	**Does the governing board adopt and revise policies and administrative regulations annually?.**	✓	☐	☐
16.6	**Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?**	☐	✓	☐

According to the district, adopted board policies and administrative regulations are updated on the district website, posted in the board agenda, and are available in binders for employees to review. However, the employees are not proactively provided with the policies as part of training or via other methods such as email notification.

		Yes	No	N/A
16.7	**Do all board members attend training on the budget and governance at least every two years?**	☐	✓	☐

According to the district, training is minimal unless it is provided by the business manager.

		Yes	No	N/A
16.8	**Is the superintendent's evaluation performed according to the terms of the contract?.**	✓	☐	☐

17. Multiyear Projections

		Yes	No	N/A
17.1	**Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?**	✓	☐	☐
17.2	**To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?**	✓	☐	☐
17.3	**Does the district use its most current multiyear projection in making financial decisions?**	✓	☐	☐
17.4	**If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?**	☐	☐	✓

18. Non-Voter-Approved Debt and Risk Management

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

The district issued Qualified Zone Academy Bonds (QZAB) to fund a solar project in 2013, and the primary repayment source is the unrestricted general fund. The annual payment is approximately $111,000.

		Yes	No	N/A
18.2	**If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?**	✓	☐	☐

18.3	**If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?**	☐	☐	✓
18.4	**If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?**	☐	✓	☐

The district's total annual debt service payment (principal and interest) for non-voter-approved debt as mentioned in 18.1 is 3.3%, which exceeds 2% of the district second interim unrestricted general fund revenues.

19. Position Control

		Yes	No	N/A
19.1	**Does the district account for all positions and costs?**	✓	☐	☐.
19.2	**Does the district analyze and adjust staffing based on staffing ratios and enrollment?**	✓	☐	☐
19.3	**Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?**	☐	✓	☐

No evidence was provided to show that the district has a formal process for reconciling budget, payroll and position control regularly, and interviews confirmed this deficiency.

19.4	**Does the district identify a budget source for each new position before the position is authorized by the governing board?**	✓	☐	☐
19.5	**Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?**	✓	☐	☐
19.6	**Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?**	☐	☐	✓

20. Special Education

		Yes	No	N/A
20.1	**Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?**	☐	✓	☐

Interviews indicated that the district's special education program is managed by the county office and is housed on the district's campus. According to data from CDE's DataQuest, the district's students are mainstreamed within regular education classes. However, district staff could not provide information about the number of students in the program, or the types of services needed. This suggests that the district does not effectively monitor, analyze, or adjust staffing ratios, class sizes or caseload sizes to align with statutory requirements and industry standards.

20.2	**Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?.**	✓	☐	☐

20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)? . . . . ☐ ✓ ☐

While tools may be available through the special education local plan area (SELPA), the district did not provide evidence that it uses these resources in cooperation with the county office to make informed decisions about whether to add services.

20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)? . . . . ☐ ✓ ☐

The district contracts with the county office to manage services provided to its special education students. The county office and district agreed that instead of the district receiving the special education revenues from the SELPA directly, these funds would be sent to the county office and deducted from the district's bill.

However, a review of the district's general ledger indicates that the district does not accurately budget and account for special education costs. Specifically, the district does not record any expenses under goal 5000, as required by the Standardized Account Code Structure (SACS). Instead, the county office charges its services to Object 7142, with a 0000 resource and goal code. This coding is incorrect because the services are specifically for special education students, which should be recorded under goal 5000, and the appropriate resource code should be 6500.

This misalignment suggests that the district does not accurately account for all special education-related costs, potentially leading to an inaccurate financial representation of the district’s special education program.

20.5 Is the district’s contribution rate to special education at or below the statewide average contribution rate? . . . . ✓ ☐ ☐

20.6 Is the district’s rate of identification of students as eligible for special education at or below the countywide and statewide average rates? . . . . ☐ ✓ ☐

According to data from CDE’s DataQuest, the district’s 2023-24 identification rate was 17.5%, which is higher than the countywide average of 13.4% and higher than the 13.7% statewide average for the same period.

20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period? . . . . ☐ ✓ ☐

The district does not analyze whether it will meet the maintenance of effort (MOE) requirement at each interim reporting period. As previously stated, the district contracts with the county office to manage services for its special education students, with the special education revenues from the SELPA sent directly to the county office, thereby reducing the district's bill.

However, the district’s general ledger shows no expenses recorded under goal 5000, as required by SACS. Instead, the county office charges its services to Object 7142, using the 0000 resource and goal code. This incorrect coding results in services specifically for special education students not being properly accounted for under the appropriate goal and resource code, leading to an inaccurate financial representation of the district’s special education program.

According to the California School Accounting Manual, the proper accounting procedures for a district, county office, or Joint Powers Agreement/Agency (JPA) billing for and receiving payment for special education excess costs or deficits should record the revenue received as Object 8710, Tuition, with the appropriate special education resource and goal. The LEA paying the excess costs or deficits should record the payment using an appropriate resource and special education goal, Function 9200 (Transfers Between Agencies), and Object 7142, Other Tuition, Excess Costs, and/or Deficit Payments to County Offices.

These accounting issues directly affect the district's ability to track its MOE requirement. According to the SELPA, the district completes the Special Education Maintenance-of-Effort, Actuals-to-Actuals (SEMA)/ Special Education Maintenance-of-Effort, Budget-to-Actuals (SEMB) forms in SACS but has minimal or no federal expenditures recorded. For this year, it is expected that the district's SEMA/SEMB forms will show all zeros since all goal 5XXX expenditures are accounted for at the county office level, and the district is only making a local contribution.

This lack of accurate tracking and reporting compromises the district's ability to ensure compliance with MOE requirements, highlighting the need for improved accounting practices and more thorough analysis during each interim reporting period.

Risk Score, 20 numbered sections only	**38.3%**

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors	**High**

(The existence of any condition from the Budget and Fiscal Status section, and/or a material weakness, will supersede the score above because it elevates the district's risk level.)

Appendix

A: Study Agreement

Appendix A — Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR TRIGGERED FISCAL HEALTH RISK ANALYSIS

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Cuyama Joint Unified School District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. **BASIS OF AGREEMENT**

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions, FCMAT will study the Client's fiscal health, because the county superintendent of schools has designated the Client a lack of going concern in accordance with EC 42127.6.

FCMAT will assign professionals to conduct the study. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify the Client's specific risk rating for fiscal insolvency.

B. Services and Products to be Provided

1. Orientation Meeting
The Team will conduct an orientation session at the Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork
The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

3. Exit Meeting
The Team will hold an exit meeting at the conclusion of the fieldwork to inform the

Client of the status of the study. The exit meeting will include a review of the scope of work; outstanding items, including documents, data and interviews not yet received or held; and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter
   Approximately five business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report
   An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report
   An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation
   Presentations to the Client's board will be made depending on the Client's risk rating. If the risk rating is low, the board presentation is optional and will be considered at the request of the Client. If the risk rating is moderate or high, the Team will make a board presentation at the Client's first regularly scheduled board meeting following the issuance of the final report. If the Team is unable to present at the first regularly scheduled board meeting following the issuance of the final report, the Team will make a board presentation at a regularly scheduled board meeting that is mutually agreeable to the Parties.

3. PROJECT PERSONNEL

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

4. PROJECT COSTS

Pursuant to the state budget act, costs for the study will be covered by a specific state appropriation for this purpose. FCMAT will not charge the Client for any costs.

5. RESPONSIBILITIES OF THE CLIENT

A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

B. Provide private office or conference room space for the Team's use during fieldwork.

C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.

F. Facilitate access to requested board members, officers and staff for interviews.

G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.

I. Return the requested evaluation survey to FCMAT as described below.

6. <u>PROJECT SCHEDULE</u>

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. This goal is especially important given that the Client has experienced an event described under Basis of Agreement that may indicate fiscal distress. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client's triggered event.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the of person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within five business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within five business days of FCMAT's receipt of requested documents and data.
Orientation meeting	First day of fieldwork
Exit meeting	Last day of fieldwork
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Client uploads supplemental documents and data to FCMAT's online SharePoint repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within four weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within five business days of FCMAT providing a draft report to the Client.

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related 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 report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT. If FCMAT terminates the Agreement, FCMAT will issue a management letter in lieu of the final report explaining the reasons why FCMAT terminated the Agreement and reporting on any FHRA elements for which data was collected and a conclusion could be reached.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. 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 Client in any manner without prior express written authorization from an officer of the Client.

9. **RECORDS**

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the FCMAT website. Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. **CONTACT WITH PUPILS**

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

11. **INSURANCE**

$1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

12. **HOLD HARMLESS**

FCMAT shall hold the Client, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this Agreement. Conversely, the Client shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of the Client's board, officers, agents and employees undertaken under this Agreement.

13. **PUBLIC SAFETY CONSIDERATIONS**

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 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, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

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

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

14. **FORCE MAJEURE**

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

15. **EVALUATION**

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. **CLIENT CONTACT PERSON**

The Client's contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT's process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT's job lead assigned to the study.

Name: Alfonso Gamino, Superintendent

Telephone: (661) 766-2293

Email: agamino@cuyamaunified.org

17. **SIGNATURES**

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

Alfonso Gamino 7/23/2024

Alfonso Gamino, Superintendent Date
Cuyama Joint Unified School District

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2024.07.23 18:19:53 -07'00'

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