FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

September 9, 2021

Dixon Unified School District

Michael H. Fine
Chief Executive Officer

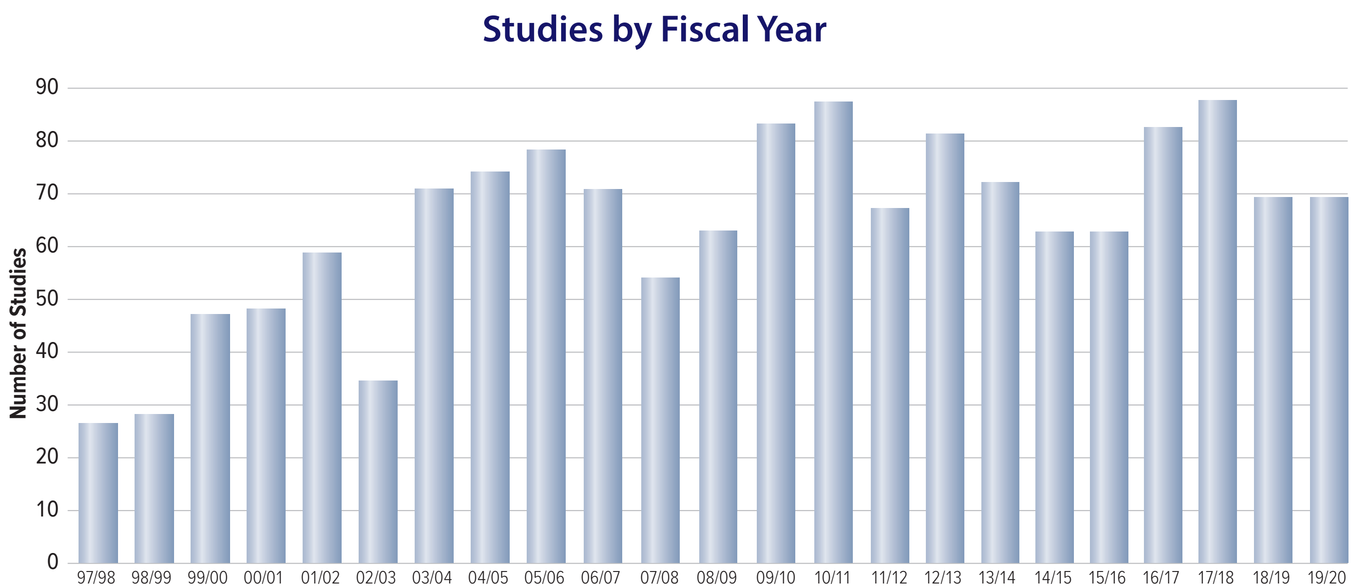
Contents

About FCMAT

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

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

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



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional 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 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

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.

- Three consecutive qualified interim report certifications

Located in northern Solano County, the Dixon Unified School District has a 2020-21 enrollment of 2,956 and 2019-20 unduplicated pupil percentage of 59.93%. The district has a five-member elected governing board and serves kindergarten through 12th grade in three elementary schools, one intermediate/middle school, one high school and one continuation high school. The district is also the authorizer for a charter school that operates independently from the district, serving 451 enrolled kindergarten through 8th grade students in 2020-21 with a 2019-20 unduplicated pupil percentage of 32.91%. Over the past decade, the district's enrollment has decreased over 20%, from 3,732 in 2010-11 to 2,956 in 2020-21.

The district has been deficit spending for at least four years and has a projected total available reserve of 4.62% in 2020-21 that is projected to decrease to 3.02% by 2022-23, inclusive of planned reductions of $1.2 million in 2021-22 and $1.8 million in 2022-23. Per governing board resolution #20-1630, "Commit to Implement Ongoing Budget Reductions to Meet the Board of Education's Fiscal Obligations in the 2020-21 and Two Subsequent Years," the district committed to identifying these reduction details, which occurred on November 5, 2020, and subsequently included the reductions in the first interim report to demonstrate the district will meet its minimum required reserve. The district self-certified its first interim report as qualified and the county office concurred.

The district is on the same financial accounting system as the Solano County Office of Education. The county office has expressed concerns about the fiscal health of the district. In particular, the county has noted the following major fiscal concerns: the increasing ratio of salaries and benefits to total expenditures, ongoing declining enrollment, the need to borrow from external sources due to the state scheduled deferral payments, and deficit spending in the cafeteria special revenue fund and the subsequent impact on the general fund unrestricted balance.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Dixon Unified School District on February 1, 2021, and a study team visited the district on March 29 to April 1, 2021 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. 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 team was composed of the following members:

Andrea Dodson
FCMAT Intervention Specialist

Shayleen Harte
FCMAT Deputy Executive Officer

Erin Lillibridge
FCMAT Intervention Specialist

Laura Haywood
FCMAT Technical Writer

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

* Those members of this study team who are otherwise employed by a local educational agency (LEA) were not representing their respective employers but were working solely as independent contractors for FCMAT.

Fiscal Health Risk Analysis
For K-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: March 29 - April 1, 2021

District: Dixon Unified School District

Summary

The governing board is ultimately responsible for the district's budget and fiscal solvency. Management has the responsibility to present sound financial information based on current and accurate data so the board can make informed decisions. Any failure of the district to act decisively on accurate and timely information may result in fiscal insolvency and the loss of local control.

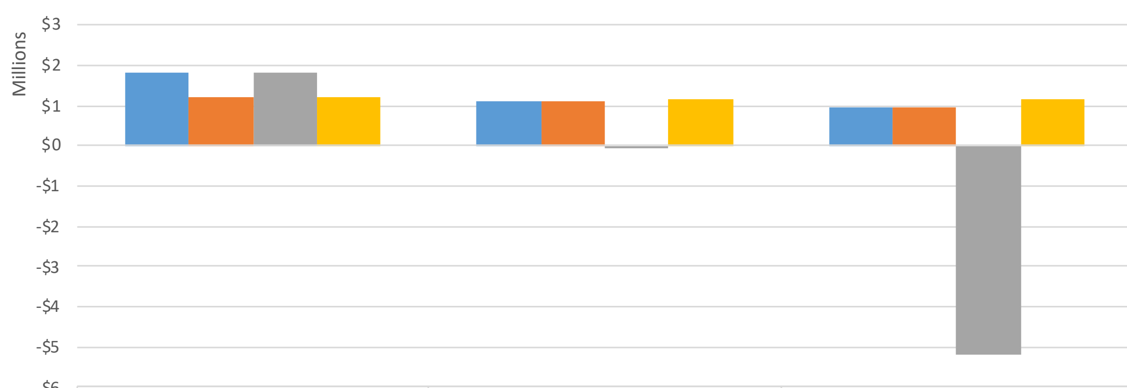
The district has received qualified or negative certifications for both the first and second interim reporting periods in 2019-20 and again in 2020-21. The 2019-20 first interim was certified negative by the Solano County Office of Education. The district self-certified as qualified for second interim 2019-20 and first and second interim 2020-21. The county concurred with the district's second interim qualified self-certification on the basis that the district would include expenditure reductions in the 2020-21 adopted budget.

On June 18, 2020, the board passed Resolution #20-1630, "Commit to Implement Ongoing Budget Reductions to Meet the Board of Education's Fiscal Obligations in 2020-21 and Two Subsequent Years," formalizing its commitment to identify detailed sufficient reductions to allow the district to meet its fiscal obligations in 2020-21 and two subsequent fiscal years and to be included in the first interim report.

At the budget workshop meeting held on September 21, 2020, the board recommended the district seek an ending fund balance of 5% as it continues its work developing the budget stabilization plan. Ending fund balance does not directly equate to the available unrestricted reserves on which the reserve for economic uncertainties is based. The unrestricted reserve is generally less than the ending fund balance due to other components of ending fund balance.

On November 5, 2020, the board approved the detailed three-year budget stabilization plan and included it in the first interim financial report in the nondetailed other adjustment line. District management noted that the detailed adjustments would be included at second interim in the proper categories. The reduction plan included expenditure reductions of $1.2 million in 2021-22 and $6.2 million in 2022-23. With these reductions, the district's available reserve stays barely above the required minimum 3%. Without implementation of these reductions in the time specified, the district's available reserve would reflect a negative certification status per the first interim multiyear projection.

Available Reserves vs. Reserve Standard: Original and Without Expenditure Reduction Plan



	2020-21	2021-22	2022-23
Original Available Reserves - by Amount	1,831,864	1,129,382	977,037
Original Reserve Standard	1,188,914	1,106,731	971,988
Revised: Available Reserves - by Amount	1,831,864	(71,911)	(5,212,369)
Revised Reserve Standard	1,188,914	1,142,770	1,157,671

In June 2019, the Dixon Unified School District and FCMAT entered into a management assistance agreement. As part of this agreement, FCMAT completed a fiscal health risk analysis at the request of the district. Although FCMAT has implemented a minor update on the FHRA tool, most of the same standards remain. Overall, the district should be proud of the progress it has made in specific areas since the last FHRA. However, as is apt to occur in any ongoing process, processes and procedures continue to change and this FHRA highlights some ongoing and new areas for improvement.

Previously, the district was projected to avoid deficit spending in two subsequent fiscal years. However, according to the 2020-21 first interim budget multiyear financial projection, the district is projected to deficit spend by $702,483 in 2021-22 and $152,344 in 2022-23.

Another new concern is that the district's 2020-21 first interim report reflects a projected other post-employment benefits (OPEB) expenditure total of $338,333, which is less than the actual amount of $350,821 reported through the period ending October 31, 2020. FCMAT notes that as of the 2020-21 second interim report, the projected OPEB expenditure total of $338,164 remains well below the actual expenditure through January 31, 2021, of $600,299. Budgeted values, especially those driven by payroll, should be analyzed and updated regularly to avoid an unexpected negative impact on the unrestricted ending balance at fiscal close.

Additionally, the 2020-21 first interim report shows the district projects to increase its restricted ending fund balance to $1,139,095, including $31,625 in Low-Performing Students Block Grant funds, which will expire if not encumbered or expended by June 30, 2021.

FCMAT's analysis for this FHRA determined that the district has a high risk of insolvency. The risk score from the 20 numbered sections of the FHRA is 31.8%, which is rated as moderate; however, the existence of any condition from the Budget and Fiscal Status section (shown below), and/or an answer of "no" in the Material Weakness Questions (also shown below) elevates the district's risk. Accordingly, the district's fiscal solvency risk level is designated as high.

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 lack of attention to these critical areas will eventually lead to a district's failure. 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. 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 on this page and the next 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 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	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation?	☐	☐	✓
5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	✓	☐	☐
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	0.0%
2.	Budget Development and Adoption	0.6%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	4.5%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	0.2%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.5%
9.	Employee Benefits	1.2%
10.	Enrollment and Attendance	2.9%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	2.2%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	5.1%
16.	Leadership and Stability	3.3%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	2.2%
19.	Position Control	2.0%
20.	Special Education	1.1%
Score		**31.8%**

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?	✓	☐	☐
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.)	✓	☐	☐
1.3	Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	✓	☐	☐
1.4	Has the district corrected all reported audit findings from the most recent and prior two audits?	☐	✓	☐

Interviews indicated that the district was in the process of implementing corrective actions to resolve the 2019-20 audit finding at the time of FCMAT’s fieldwork. All prior year 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 does not consistently expend restricted funds before unrestricted funds. A review of the district’s unaudited actuals reports for 2017-18, 2018-19, and 2019-20 shows the following restricted carryover and ending fund balances:

	2017-18	2018-19	2019-20
Carryover (Unused Grants)	$795,440.32	$229,879.79	$451,003.31
Ending Fund Balance	$1,360,276.16	$745,041.90	$880,625.31
Total	$2,155,716.48	$974,921.69	$1,331,628.62

The 2020-21 first interim report shows the district projects to increase its restricted ending fund balance to $1,139,094.62, including $31,625 in Low-Performing Students Block Grant funds, which will expire if not encumbered or expended by June 30, 2021. Likewise, the Classified School Employee Professional Development Block Grant allocation of $18,261, distributed to the district in 2018-19, continues to remain in the projected 2020-21 restricted ending funding balance.

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? . . . . ✓ ☐ ☐

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? . . . . ✓ ☐ ☐

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

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

The district's 2020-21 first interim report reflects a projected other post-employment benefits (OPEB) expenditure total of $338,333, which is less than the actual amount of $350,821.04 reported through the period ending October 31, 2020. FCMAT notes that as of the 2020-21 second interim report, the projected OPEB expenditure total of $338,163.70 remains well below the actual expenditure through January 31, 2021, of $600,299.44.

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? . . . . ✓ ☐ ☐

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? . ✓ ☐ ☐

		Yes	No	N/A
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?	☐	✓	☐

While the district meets monthly with county office oversight staff and is making progress toward ongoing solutions to mitigate fiscal challenges, county office oversight letters since 2017-18 have cautioned the district about deficit spending and the need to ensure required reserves are maintained.

Most recently, on February 24, 2021, the county office concurred with the district's first interim qualified certification, based on the governing board's actions in June 2020 to adopt Resolution No. 20-1630 committing to implement ongoing budget reductions, and in November 2020 to approve a budget stabilization plan to meet the district's fiscal obligations in 2020-21 and the two subsequent fiscal years. However, the county office indicated continuing concern with the district's revenue loss from declining enrollment, and its ongoing structural deficit resulting in the need for significant subsequent year budget adjustments. The county office requested the district update its list of board-approved reductions with estimated savings for the second interim report. In addition, the county office continued to note concerns regarding the cafeteria fund balance decline and its potential impact to the general fund.

		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?	✓	☐	☐
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?	✓	☐	☐
3.10	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?	✓	☐	☐
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?	☐	✓	☐

The district's first interim cash flow projection identifies the need to borrow $5.5 million in May 2021 and $3 million in May 2022. According to the interim narrative, the district is developing a plan to address its cash flow needs, such as interfund borrowing and other loan sources such as the Solano County Treasurer and the California School Finance Authority.

		Yes	No	N/A
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	☐	☐
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.	✓	☐	☐

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

6. Collective Bargaining Agreements

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

The collective bargaining agreement allows for reopeners and successor negotiations in the 2020-21 year for Articles XV Salaries and Article XVI Health and Welfare, plus up to one article each. Upon mutual agreement by both the district and association, additional articles may be reopened.

The district's negotiations with the Dixon Teachers' Association, CTA/NEA, in the 2020-21 year were focused on issues related to services provided during the COVID-19 pandemic, and other permitted items were not officially closed for negotiation.

		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 at or under the funded cost of living adjustment (COLA)?	✓	☐	☐
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 board does not have a plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and 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?	✓	☐	☐
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 district's 2020-21 first interim budget multiyear financial projection shows unrestricted deficit spending of approximately $1.4 million.

		Yes	No	N/A
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	☐	✓	☐

According to the 2020-21 first interim budget multiyear financial projection, the district is projected to deficit spend by $702,483 in 2021-22 and $152,344 in 2022-23.

		Yes	No	N/A
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?	✓	☐	☐
8.4	Has the district decreased deficit spending over the past two fiscal years?	☐	✓	☐

The district had a deficit of $83,906 in 2018-19 and a surplus of $1.6 million in 2019-20. According to the 2020-21 first interim budget multiyear financial projection, the deficit is projected to be approximately $1.4 million.

9. Employee Benefits

		Yes	No	N/A
9.1	Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	✓	☐	☐
9.2	Does the district have a plan to fund its liabilities for retiree health and welfare benefits 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's bargaining agreement with classified employees allows 12-month employees to carry forward as many as 30 days of vacation leave. According to a vacation leave balance report provided by the district, at least 25 employees had balances of more than the allowable 30 days. Interviews also indicated there is leniency in the enforcement of this provision.

		Yes	No	N/A
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?	☐	✓	☐

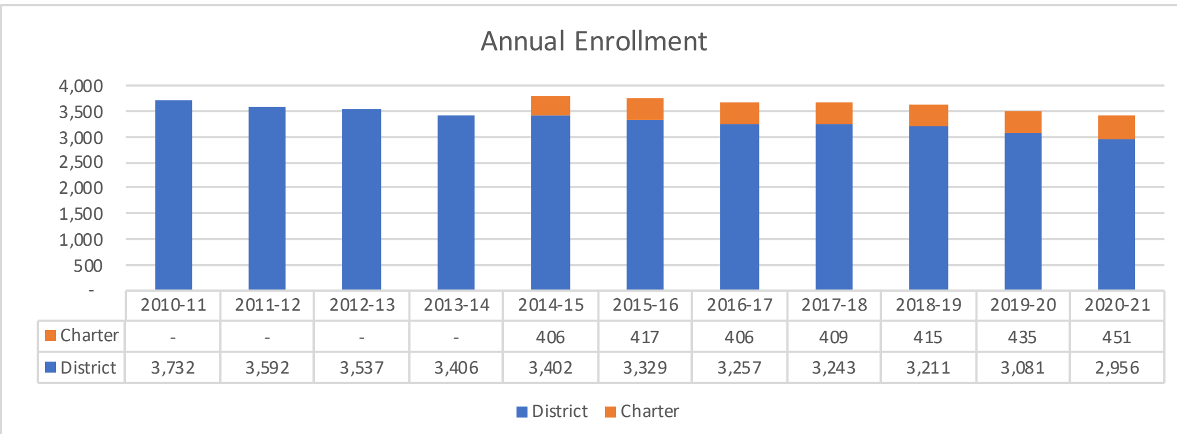
Interviews revealed the district does not perform periodic verification and determination of eligibility for benefits. The district reported it was planning to start this process subsequent to FCMAT's visit.

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

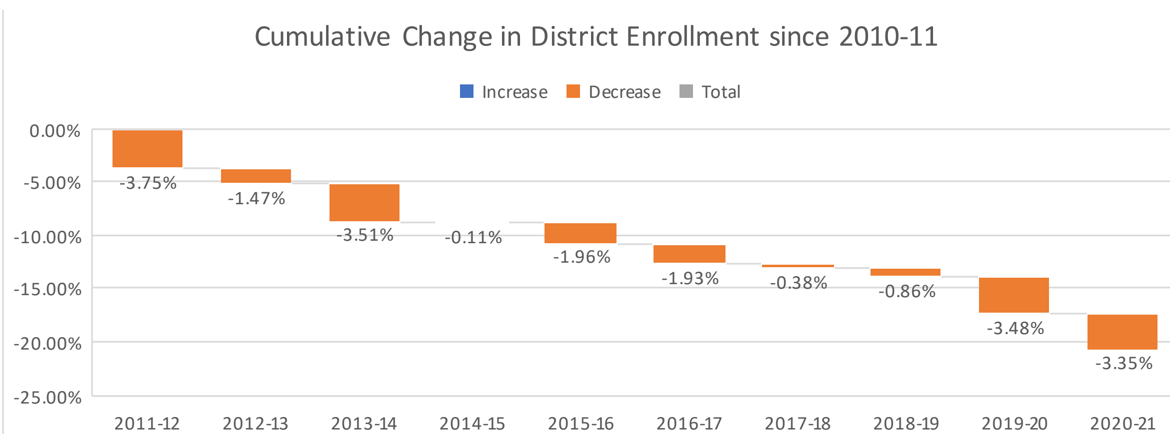
10. Enrollment and Attendance

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

Although the district initially projected stabilized enrollment for the 2020-21 fiscal year, impact of the COVID-19 pandemic caused the district to experience a 3.35% reduction in enrollment, for a total cumulative decline of 20.79% over the past 11 years.



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Charter	-	-	-	-	406	417	406	409	415	435	451
District	3,732	3,592	3,537	3,406	3,402	3,329	3,257	3,243	3,211	3,081	2,956



		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 monitors enrollment regularly, but only monitors and analyzes ADA at the first and second interim periods.

		Yes	No	N/A
10.3	Does the district track historical enrollment and ADA data to establish future trends?	✓	☐	☐
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	✓	☐	☐

		Yes	No	N/A
10.5	Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?.	✓	☐	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	☐	☐
10.7	Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?	☐	✓	☐

Per interviews, sites or departments do not review CALPADS data to verify accuracy or reasonableness prior to submission.

		Yes	No	N/A
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?.	✓	☐	☐
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?	☐	✓	☐

Capacity information provided by the district for its six schools indicates that its facilities are not fully used. Low use percentages at Gretchen Higgins Elementary, Tremont Elementary and Dixon High School indicate that the district likely spends more for cleaning and maintenance than what would otherwise be necessary for its student population.

School	2020-21 Enrollment	Capacity	Ratio
Anderson Elementary	429	540	79%
Jacobs Intermediate*	-	-	-
Dixon High	1,021	2,100	49%
Higgins Elementary	370	633	58%
Knight Middle	578	625	92%
Maine Prairie High	100	100	100%
Tremont Elementary	381	672	57%

**The Jacobs Intermediate campus was closed in January 2021.*

		Yes	No	N/A
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	☐	✓	☐

While the district meets regularly throughout the year with facilities management to assess current needs, interviews indicated that adopted budget is based on prior year activity. The district does not use any planning tools, such as a facilities master plan or documented maintenance schedule, to project facilities needs in advance..

		Yes	No	N/A
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	☐	✓	☐

The district's facilities inspection reports for 2019-20 and 2020-21 identified that no extreme deficiencies existed. Some standards were identified as deficient, which can be an indication of a need for repair.

School	2019-20 Status		2020-21 Status	
Anderson Elementary	Fair	79.89%	Fair	81.70%
Jacobs Intermediate	Fair	82.30%	Fair	82.28%
Dixon High	Good	91.77%	Good	90.60%
Higgins Elementary	Fair	92.13%	Good	85.02%
Knight Middle*	Not applicable	-	Not applicable	-
Maine Prairie High	Fair	81.06%	Fair	88.02%
Tremont Elementary	Fair	83.36%	Fair	84.72%

**The Knight Middle School campus was opened in January 2021.*

		Yes	No	N/A
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?.	☐	✓	☐

Per documentation and interviews, the district completed a needs assessment in May 2016, but a long-range facilities master plan based on the needs assessment was never completed.

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?	✓	☐	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	☐	✓	☐

According to the district's 2020-21 first interim budget, its unrestricted fund balance is projected to decline from $1.8 million at the beginning of 2020-21 to less than $1.0 million at the end of 2022-23.

		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?	☐	☐	✓

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?	✓	☐	☐

		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?	☐	✓	☐
	According to the district's 2020-21 first interim report, the percentage of the general fund unrestricted expenditure budget allocated to salaries and benefits is 87.8%. The statewide average for unified districts as of 2018-19 (the latest data available) was 87.0%..			
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?	☐	✓	☐
	The percentage of the district's general fund unrestricted expenditure budget allocated to salaries and benefits was 87.4% in 2018-19 and 89.1% in 2019-20, compared to the statewide average of 87.0% in 2018-19.			
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?	☐	✓	☐
	The district's 2020-21 first interim report reflects an ending fund balance for the Low-Performing Students Block Grant of $31,625. These funds are available for expenditure or encumbrance only through June 30, 2021. The district should have revised its budget during the 2020-21 first interim reporting period to reflect the balance remaining in the grant with the close of the 2019-20 fiscal year.			
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?	✓	☐	☐
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	☐	☐	✓
14.6	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	☐	✓	☐
	Interviews indicated that business office staff have access to functionality not required of their position. Furthermore, the chief business official (CBO) has access to enter and approve transactions for all responsibilities assigned to positions managed by the CBO, circumventing the multiple levels of authorization controls.			
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?	☐	✓	☐
	While access and authorization controls are revoked when an employee resigns or is terminated, interviews indicated that controls have been sustained and increased when an employee changes position. New access and authorization is often based on that of the predecessor. This practice may cause a new employee to receive security for more than is required for the position. Further, controls are not reviewed and updated 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)	☐	✓	☐
	While the district has a batch and authorization system in place for accounts payable, the accounts payable technician also has fixed assets and purchasing responsibilities. Vendor maintenance and fixed assets recording duties should be segregated from the accounts payable position to prevent one person from having access to create a vendor, change the vendor's contact or payment information, and record/retire the asset from the financial records.			
	• Accounts receivable (AR)	☐	✓	☐
	Payments received in the mail are forwarded unopened from human resources, where the mail is received, to the accounting and budget technician in the business department. This technician also is responsible for recording receipts for the contents of payments received through the mail. The roles of logging payments received through the mail and recording the receipts in the financial system should be segregated to create a reconcilable log of payments received and recorded.			
	• Purchasing and contracts.	☐	✓	☐
	While the district has multiple levels of authorization in the purchasing process, it does not properly segregate duties between accounts payable and purchasing. See 15.3 Accounts Payable for further details.			
	• 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?	✓	☐	☐
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	☐	☐

		Yes	No	N/A
15.7	Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐

Interviews with staff and documentation received by FCMAT did not provide evidence that the district has comprehensive fraud detection controls.

		Yes	No	N/A
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?	☐	✓	☐

The district's Board Policy 1312.3 states:

> *Any complaint alleging fraud shall be referred to the Legal, Audits and Compliance Branch of the California Department of Education.*

However, the district lacks a formal process for collecting and following up on reports of possible fraud. Interviews with staff also indicated a lack of process or procedure to report fraud.

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

The district does not have a formal internal audit department or 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 chief business official was hired in May 2019.

		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?	☐	✓	☐

In interviews, employees indicated there has been no training in financial management and budgeting for school site or department administrators who are responsible for budget management. However, staff indicated that the CBO coordinates meetings with each department and site during budget development and that district personnel were responsive to any of their questions throughout the year.

		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?	☐	✓	☐

Interviews with employees revealed that the district lacks a process to ensure all employees receive information regarding newly adopted or revised policies and administrative regulations.

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

Interviews indicated that some budget training is provided at board study sessions; however, no documentation was provided to show that all board members attend training on governance at least every two years.

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

The superintendent's contract provides that evaluations shall occur annually no later than the second Thursday of April. Although interviews suggested the superintendent's evaluation was performed in closed session in accordance with this agreement, FCMAT did not receive a copy of the superintendent's evaluation or board minutes to support this.

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?	☐	✓	☐

On August 24, 2017, the district issued $9,425,000 of refunding COPs. The proceeds from the 2017 refunding COPs were used to advance refund the outstanding 2014 refunding COPs.

The district uses developer fee funds as the primary source of repayment for its COPs, with the balance paid out of the general fund if developer fees are insufficient. Since developer fee payments are collected with new construction permits issued, there is little assurance these funds will continue with any consistency. Without an alternative plan, the general fund will be required to make the annual debt service payment.

		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?	☐	✓	☐

On October 5, 2020, S&P Global Ratings revised its outlook from stable to negative on the district's existing COPs due to budgetary imbalances in the current fiscal year and projected deficits for the subsequent two fiscal years.

		Yes	No	N/A
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 for non-voter-approved debt in 2020-21 is $660,875, which exceeds 2% of the district's first 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?	☐	✓	☐

Documentation was not provided regarding board-adopted staffing ratios, but staff interviews suggested staffing is analyzed and adjusted as needed and a formal process and annually approved ratios are not used in the decision-making process. Tools providing staffing analysis based on enrollment only addressed the elementary and middle school grade levels for the current and budget year. No staffing analysis for the high school grade levels or subsequent fiscal years was provided.

		Yes	No	N/A
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?	☐	✓	☐

Staff interviews determined that the district lacks a defined process for reconciling budget, payroll, and position control. No documentation was provided to FCMAT that demonstrates this process regularly occurs.

		Yes	No	N/A
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?	✓	☐	☐
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	✓	☐	☐
20.3	Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	✓	☐	☐
20.4	Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	✓	☐	☐
20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	☐	✓	☐

The district's 2019-20 unaudited actuals special education maintenance-of-effort report (Form SEMA) shows total district expenditures for special education to be $6,241,139, with $4,958,316 or 79.4% as the district's contribution.

According to the district's 2020-21 adopted budget (Form SEMB), the total district expenditures for special education were projected to be $6,749,967, with $5,603,650 or 83.06% as the district's projected contribution.

The last published statewide average contribution rate was 65.88%.

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?	☐	✓	☐
	The district's 2019-20 identification rate is 12.4%, which is above both the countywide rate of 11.4% and statewide rate of 11.7% for the same period.			
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	☐	✓	☐
	District staff indicated that this analysis is only performed at budget development and year end.			

Risk Score, 20 numbered sections only: **31.8%**

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.)