FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

November 27, 2023

Ducor Union Elementary School District

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

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Rob Hudson, Ed.D., Interim Superintendent
Ducor Union Elementary School District
23761 Ave. 56
Ducor, CA 93218

Dear Interim Superintendent Hudson:

In September 2023, the Ducor Union Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT 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, and identify the district's specific risk rating for fiscal insolvency.

This fiscal health risk analysis is required by California's 2018-19 Budget Act because the district's 2022-23 second interim report was downgraded from positive to qualified and the district was subsequently designated as a lack of going concern by the county superintendent of schools.

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

FCMAT appreciates the opportunity to assist the Ducor Union Elementary School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

Michael H. Fine • Chief Executive Officer
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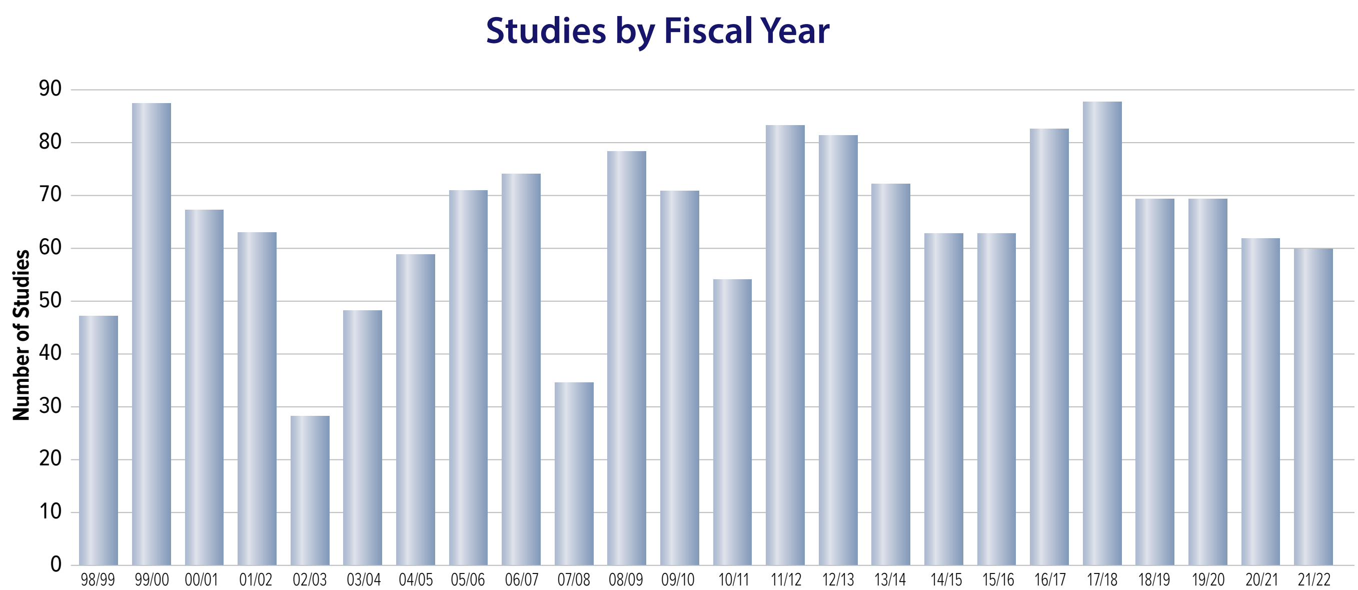
About FCMAT

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 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

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.

- Downgrade of an interim certification by the county superintendent.
- Lack of going concern designation.

Located in Tulare County, the Ducor Union Elementary School District is governed by a five-member board and serves approximately 138 students in transitional kindergarten through eighth grade. According to data from the California Department of Education (CDE), student enrollment was 191 in the 2014-15 fiscal year, and with only two exceptions, it has declined each year. The district's unduplicated pupil percentage, which includes those students who are English learners, foster youth, or who qualify for free or reduced-price meals, is 83.08%.

The district uses the same financial accounting system as the Tulare County Office of Education. It also contracts with the county office for fiscal services, which includes the preparation of its financial reports with district input provided.

The district's board-approved 2022-23 second interim report projected a general fund unrestricted ending fund balance of $621,017 in 2022-23, $492,279 in 2023-24, and $133,265 in 2024-25. The county office revised the district's second interim report to include budget shortfalls and unbudgeted costs that were not communicated to the contracted accountant from the county office. These revisions decreased the district's projected unrestricted ending fund balances to $519,437 in 2022-23, $110,115 in 2023-24, and -$360,630 in 2024-25.

As a result of the interim certification downgrade and lack of going concern designation, FCMAT engaged and performed a fiscal health risk analysis to determine the district's level of risk for insolvency. FCMAT's analysis was based on the district's 2022-23 second interim report.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Ducor Union Elementary School District on September 11, 2023, and a study team visited the district on September 20-21, 2023, to conduct interviews, collect data and review documents. Following fieldwork, the FCMAT study team continued to receive, 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:

Shayleen Harte
FCMAT Deputy Executive Officer

Debbie Riedmiller, CFE
FCMAT Intervention Specialist

Cassady Clifton
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 TK-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Dates of fieldwork: September 20-21, 2023

District: Ducor Union Elementary School District

Summary

In its 2022-23 board-approved second interim report, the district self-certified as positive, but the county office disagreed. Consequently, the county office downgraded the district's status to qualified, as communicated to the district in an oversight letter dated April 17, 2023. A qualified status means that the district may be unable to meet its financial obligations for the current fiscal year or the two subsequent fiscal years. Furthermore, the county office's review identified budget shortfalls and costs that were not included in the district's second interim report. This is particularly concerning because the district receives direct support from the county office through a contracted accountant responsible for preparing the district's financial reports based on the information provided by the district. The county office's letter states:

> The 2nd interim report assumes planned staffing reductions in fiscal years 2023-24 and 2024-25. Staffing reductions built into the 2nd interim budget include elimination of positions and not filling positions due to planned resignations at the end of 2022-23. During follow-up conversations with the district, it was evident staffing reductions were not made by the March 15th statutory deadline and verbal resignations made by district staff were not made in writing.

The exclusion of these unplanned costs from the budget means that the district's true financial condition was not being disclosed. After revising the district's second interim report to include these costs, the county office's assessment indicated that the district would be unable to meet its 5% minimum reserve requirement in fiscal years 2023-24 and 2024-25. Moreover, the county office projected that the district's unrestricted ending fund balance would be −$361,630 in 2024-25.

For the reasons outlined above, the Tulare County superintendent of schools invoked his authority under Education Code (EC) 42127.6 to designate the district as a lack of going concern. The oversight letter cites budget shortfalls, unbudgeted costs, and operating deficits as the basis for this determination. In addition, the letter indicates that there were ongoing discussions with district leadership about the district's fragile financial position, but that same leadership continued to request the cost of a salary settlement ranging from eight to 15%. Such a settlement would further deteriorate the district's financial position.

Both the district's board-approved 2022-23 second interim report and the county office's revised report did not project deficit spending in 2022-23. However, the district's board-approved 2022-23 second interim report projected deficit spending of $128,738 in 2023-24 and $359,014 in 2024-25. Conversely, the county office's revised second interim report projected deficit spending to be $409,322 in 2023-24 and $470,745 in 2024-25.

The fiscal health risk analysis shows that the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern contributing to its fiscal distress. Of significant concern is the district's lack of leadership, including that of an experienced, qualified chief business official (CBO). Also of great concern is the lack of effective communication with the contracted accountant from the county office, which is necessary to ensure all expenditures are included in the financial reports that she prepares. Other challenges include issues related to budget development and monitoring, analysis and disclosure of tentative collective bargaining agreements, deficit spending, and enrollment and attendance projections and analysis. The district also faces a declining unrestricted fund balance, inadequate reserves, internal control issues and inadequate position control.

Addressing these factors requires considerable staff training and cross-training, documentation of procedures, and a strong focus on budget development and monitoring. These actions are necessary to ensure the accuracy of the budget, multiyear financial projections, and cash flow projections. Additionally, both the governing board and district administrators must continue to make and implement difficult decisions to maintain the district's fiscal solvency. Failing to act quickly and decisively may result in fiscal insolvency and severe consequences, potentially leading to the loss of local control and governance.

The governing board is ultimately responsible for the district's budget. Management is responsible for providing accurate financial information based on current, reliable data so the board can make sound decisions.

financial standing. The district will become fiscally insolvent unless immediate action is taken to address these issues.

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	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	0.1%
2.	Budget Development and Adoption	2.9%
3.	Budget Monitoring and Updates	4.9%
4.	Cash Management	2.2%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	6.1%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	0.0%
10.	Enrollment and Attendance	4.3%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	2.9%
13.	General Fund - Current Year	1.8%
14.	Information Systems and Data Management	2.9%
15.	Internal Controls and Fraud Prevention	4.5%
16.	Leadership and Stability	3.9%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	1.0%
19.	Position Control	2.9%
20.	Special Education	1.4%
Score		**46.0%**

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.)	☐	✓	☐
	Education Code 41020(h) requires that the audit for the preceding fiscal year be filed with the county superintendent of schools, the California Department of Education, and the State Controller's Office by December 15 each year. However, the district's 2021-22 audit was dated March 28, 2023, which indicates that it was filed after the deadline.			
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?	✓	☐	☐

2. Budget Development and Adoption

		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	☐	✓	☐
	The county office provides direct support services to the district and prepares the district's budget and interim reports. Interviews indicated that the district has not provided the county office with complete information about its planned expenditures for inclusion in the budget. The county office's 2022-23 second interim letter noted that the district had indicated that it would reduce staff in 2023-24, but it failed to follow through on this commitment. Additionally, the district entered into several contracts without notifying the county office to include these costs in its budget.			
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?	✓	☐	☐

		Yes	No	N/A
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)?	☐	✓	☐

Interviews indicated that no effort was made to solicit input on budget development from staff, administrators, the governing board, or the community.

		Yes	No	N/A
2.7	Does the district budget and expend restricted funds before unrestricted funds?	☐	✓	☐

Interviews and documents indicated that the district does not budget or plan to use restricted funds before unrestricted funds. Expenditure transfers are made at the end of the year to use restricted funding where allowable.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated that the district accepts grant awards without evaluating their impact on its unrestricted general fund. This includes the acceptance of a $50,000 Project Aware grant aimed at supporting the funding of a school counselor. However, the district must cover any salary, statutory benefits, and health and welfare benefit costs that exceed the grant amount.

		Yes	No	N/A
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 does not use a budget calendar.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	☐	✓	☐

According to the county office's 2022-23 second interim review letter, the district has incurred expenditures for unbudgeted costs, including a professional learning contract for $39,325, teacher stipends for $2,200 and $4,000, and a grant that requires the district to cover salary and benefit costs that exceed the grant amount.

		Yes	No	N/A
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? . ☐ ✓ ☐

The county office's internal review documents note concerns with some of the district's responses to the variances identified in the state criteria and standards for fiscal solvency.

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's oversight letters in the most recent and two prior fiscal years identified ongoing deficit spending that has not been addressed by the district.

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 encumber purchase orders in its financial system, and individual budget account lines are allowed to go into the negative when paying invoices.

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

Salaries and benefits are not encumbered in the district's financial system.

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 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? . . . . ☐ ✓ ☐

FCMAT requested bank reconciliations for all district bank accounts for May, June and July 2023. While the district provided documents to support that all bank accounts had been reconciled, these reconciliations were not dated or signed by the individual performing the reconciliation or by the individual reviewing it. Consequently, FCMAT could not determine whether the accounts were reconciled on a monthly basis.

According to its 2021-22 audit report, the district did not adjust or clear the cash clearing account to zero at the end of the fiscal year. In addition, the reconciled balances for the revolving bank accounts did not align with those in the general ledger. This indicates that the cash in the revolving account is not being reconciled to the authorized balance.

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? . . . . ☐ ☐ ✓

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

The district's board-approved 2022-23 second interim report indicates that the cafeteria fund requires a transfer from the general fund to support its current and projected obligations.

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

The district's 2021-22 audit report states that interfund balances of $84,345 had not been cleared.

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?	☐	✓	☐

The district's 2022-23 second interim report shows that no settlements have been reached for the 2022-23 fiscal year with either of its bargaining units: the Ducor Teachers' Association (DTA) representing certificated employees, and the California School Employees Association (CSEA) Chapter #564 representing classified employees.

		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?	☐	✓	☐

The district did not provide FCMAT with any evidence of presettlement analyses that identified associated costs or potential savings related to its collective bargaining agreements.

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 did not provide public disclosure documentation of any collective bargaining agreement settlements for the 2020-21 fiscal year. Consequently, FCMAT could not compare the total settlement costs to the funded COLA for 2020-21.

The district settled the total cost of its collective bargaining agreements, including step-and-column increases, under the funded COLA for 2021-22.

As mentioned in item 6.2, at the time of fieldwork, the district had not yet settled with either bargaining unit for the 2022-23 fiscal year.

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)? . . . . ☐ ✓ ☐

The district did not provide FCMAT with evidence of its proposal for 2022-23 or any indication that it has identified resources to cover the related costs, if any.

6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? . . . . ☐ ✓ ☐

The district did not provide public disclosure documentation of its collective bargaining agreement settlements for the 2020-21 fiscal year.

The county office provided the public disclosures for the certificated and classified bargaining unit settlements for 2021-22, each of which included a 3% salary increase. The certificated disclosure also showed the addition of a bachelor of arts-only column to the certificated salary schedule. Moreover, a handwritten note on the certificated disclosure indicated an increase of $1,643.40 to their health and welfare benefits contribution. However, it is unclear whether certificated staff received this increased contribution. The classified disclosure also showed an increase for their health and welfare benefits contribution, from $14,514 to $16,943 for employees working more than six hours.

The agenda for the October 12, 2021 board meeting, during which the governing board approved the 2021-22 agreement with DTA, was not on the district's website. Consequently, FCMAT could not confirm whether the public disclosure was provided to the board prior to its approval.

The agenda for the November 9, 2021 board meeting, during which the board approved the 2021-22 agreement with CSEA, included the public disclosure document as part of the board packet.

During the November 9, 2021 meeting, the governing board also approved board agenda item 2.12, "Classified Confidential Management Proposal; salary schedule adjustment for 3% effective July 1, 2021 and one-time off schedule payment for $1600 [sic] for winter session." However, the board was not provided with a public disclosure document for this item.

		Yes	No	N/A
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?.	☐	✓	☐

Government Code 3547.5 requires the superintendent and CBO to certify in writing that the school district can financially meet the costs incurred under a tentative agreement during the agreement's term. This certification must also itemize any budget revisions necessary to meet the agreement's costs for each year of its term.

The 2021-22 public disclosure document for DTA, referred to in item 6.7, has the superintendent's signature but lacks the CBO's signature. However, the district did not have a CBO at that time. Because the board agenda is missing from the website, FCMAT could not confirm whether the disclosure was provided to the board before its approval.

The 2021-22 public disclosure document for CSEA, referred to in item 6.7, was provided to the board before its approval. However, it lacked the required signatures to certify that the district could afford the agreement. The document provided to FCMAT included the superintendent's signature, which indicates that it was signed after receiving board approval.

Public disclosure documents should be signed by both the superintendent and the CBO (if there is one), confirming that the district can afford the agreement. Moreover, the disclosures should be included on the board agenda before the board takes action on them. This practice allows for public comment before their approval.

		Yes	No	N/A
6.9	Is the governing board's action consistent with the superintendent's and CBO's certification?	☐	✓	☐

See item 6.8 above for additional information.

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's board-approved 2022-23 second interim report shows projected contributions to the ongoing and major maintenance account and other restricted programs of $104,762 in 2022-23, $107,924 in 2023-24, and $112,378 in 2024-25 and transfers out to the cafeteria fund of $116,896 in 2022-23, $0 in 2023-24, and $29,000 in 2024-25. The district lacks a board-approved 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?	✓	☐	☐

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

The district's board-approved 2022-23 second interim report projected deficit spending of $128,738 in 2023-24 and $359,014 in 2024-25. However, in its oversight letter dated April 17, 2023, the county office identified budget shortfalls and costs that were not included in the district's board-approved 2022-23 second interim report. Consequently, the county office revised the district's second interim report on April 19, 2023, to include these costs. This revision led to an increase in the district's projected deficit spending, to a total of $409,322 in 2023-24 and $470,745 in 2024-25.

		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?	☐	✓	☐

Interviews indicated that the district lacks a board-approved plan to reduce or eliminate deficit spending, and no such plan was provided to FCMAT.

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

9. Employee Benefits

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

10. Enrollment and Attendance

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

The district's 2022-23 enrollment was 138, which is an increase from 124 in 2021-22, but a decrease from 142 in 2020-21.

		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)?	✓	☐	☐
10.3	Does the district track historical enrollment and ADA data to establish future trends?	☐	✓	☐

The district did not provide FCMAT with an enrollment and ADA projection that included historical data.

		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's enrollment projections are flat for the two subsequent years, despite a continuous decline in enrollment since the 2017-18 fiscal year.

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? . . . . ☐ ✓ ☐

During interviews, staff reported inconsistent information regarding review and verification of CALPADS data. Moreover, the district did not provide evidence indicating that 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? . . . . ☐ ✓ ☐

The district indicated that it does not track 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?. . . . . . . ☐ ✓ ☐

The district lacks a board policy to limit outgoing interdistrict transfers, and interviews indicated that all outgoing interdistrict transfers are routinely 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? . . . . ☐ ✓ ☐

According to the district's 2023 Facility Inspection Tool, it maintains 10 classrooms. The Office of Public School Construction's loading standards are shown in the table below.

Office of Public School Construction's Loading Standards by Grade Level

Grade Level	Loading Standard
Kindergarten through Six	25
Seven through Eight	27

Source: State Adapted from page 48 of the Office of Public School Construction's 2019 publication, School Facility Program Handbook.

Using these standards, the district capacity is approximately 254 students. The district's 2022-23 enrollment was 138 students, which is approximately 54% of its capacity.

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

The county office provides direct support services to the district and prepares the district's budget and interim reports. However, interviews indicated that the district has not provided the county office with complete information about its planned expenditures for inclusion in the budget.

		Yes	No	N/A
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?.	☐	✓	☐

The district did not provide FCMAT with a long-range facilities master plan that shows 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 district's board-approved 2022-23 second interim report projected that the district will meet the 5% minimum reserve for economic uncertainty in the two subsequent years. However, the county office's revised second interim report projected that the district will not meet the minimum reserve in 2024-25 and will have an ending fund balance of −$360,630 for that year (see item 8.2).

		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?	☐	✓	☐

The district lacks a board-approved plan to restore its reserve for economic uncertainty.

		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's board-approved 2022-23 second interim report projected an unrestricted ending fund balance of $621,017 in 2022-23, $492,279 in 2023-24, and $133,265 in 2024-25. However, the county office's revised second interim report projected the district's unrestricted ending fund balances to be $519,437 in 2022-23, $110,115 in 2023-24, and −$360,630 in 2024-25.

		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?	☐	✓	☐

For the past two years, the district has used one-time COVID-19 relief funds for ongoing salaries and benefits 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?	✓	☐	☐
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?	☐	✓	☐

The district does not fully expend its restricted program dollars (funds that must be used for specific programs such as child nutrition) each year. According to its 2021-22 unaudited actuals report, the district's ending fund balances totaled $268,918 in nine restricted programs as of June 30, 2022, and the budgeted restricted ending balance amount for 2022-23 was $221,741. In addition, unearned revenues (restricted revenues received but not spent) totaled $136,417 on June 30, 2022.

		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?	☐	✓	☐

The district does not charge the maximum allowable indirect cost rate to all restricted resources 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?	☐	✓	☐

Interviews indicated that the district's financial and human resources systems are not integrated, and that many financial processes are still done manually on paper, with data being manually entered into the financial system later. This lack of automation can cause extra work and is prone to human error.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated that the district does not generate reports from the financial system to help it make informed decisions.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated that the district lacks a process for identifying and verifying students who are eligible for free or reduced-price meals, English learners, and foster youth. The district relies on direct-certification to identify students eligible for free or reduced-price meals. The direct-certification process allows local educational agencies to certify students as eligible for free meal benefits without requiring additional *applications to substantiate their eligibility. These certifications are based on information provided by state and local agencies responsible for administering programs like CalFresh, CalWORKS, and Food Distribution Program on Indian Reservations.*

At the time of fieldwork, the district had not collected any income eligibility information from families to determine whether additional students might qualify for free or reduced-price meals, beyond those included on the direct-certification list.

Accurately identifying students who are eligible for free or reduced-price meals, English learners, and foster youth directly affects the district's LCFF funding and should be a priority.

		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?	☐	✓	☐

The district lacks a process to routinely request a review of the financial system's access and authorization controls from the county office. At the time of fieldwork, the former superintendent's access had not been terminated, despite his departure several months earlier. The county office terminated his access following interviews with FCMAT.

15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:

	Yes	No	N/A
• Accounts payable (AP)	☐	✓	☐

The CBO has access to perform all the following: add a vendor in the system, create a requisition, print a purchase order, request payment to a vendor, and receive the goods that have been ordered. A single employee with the authority to carry out all these functions can create and pay a vendor without review, thereby increasing the risk of inappropriate transactions and violating sound internal control practices.

	Yes	No	N/A
• Accounts receivable (AR)	✓	☐	☐
• Purchasing and contracts	☐	✓	☐

Staff do not encumber purchase orders in the financial system, creating a risk of unauthorized purchases. Moreover, contracts are approved without governing board approval.

	Yes	No	N/A
• 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?	☐	✓	☐
	According to the district's 2021-22 audit report, four liability accruals were not recorded in the general fund, and the prior year interfund balances had not been cleared.			
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?	☐	✓	☐
	The district does not 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?	☐	✓	☐
	The district lacks a process for collecting reports of possible fraud and for following up on such reports.			
15.9	Does the district have an internal audit process?	☐	✓	☐
	The district lacks 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?.	☐	✓	☐
	Interviews indicated that the board acted on August 1, 2023, to approve the promotion of the office manager to the CBO position. However, these board minutes were not provided, so FCMAT could not verify this action. At the time of fieldwork, the county office was providing contracted fiscal support services to the district and will continue to do so until the new CBO is ready to assume these duties.			
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years?	☐	✓	☐
	At the time of fieldwork, the district had an interim superintendent who assumed the position in summer 2023.			
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?	☐	☐	✓
16.5	Does the governing board adopt and revise policies and administrative regulations annually?	☐	✓	☐
	No policies or administrative regulations were provided, and these documents are not available on the district's website. Interviews indicated that the district's policies and administrative regulations are outdated and that the governing board lacks a process for their annual adoption and revision. However, the district plans to contract with the California School Boards Association to review and update these policies and regulations as needed.			

		Yes	No	N/A
16.6	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?	☐	✓	☐

The district lacks a process for communicating with staff about newly adopted or revised policies and/or 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 the governing board members have not received training on the budget and governance within the last 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 states that the governing board and superintendent are required to establish district goals and objectives, that the superintendent must complete a written self-evaluation and present it to the board, and that the board will complete an evaluation of the superintendent no later than April 30 each year.

However, a review of board agendas and available minutes from February 2022-July 2023 determined that the superintendent's evaluation was not listed as an item under any closed session for that same period.

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?	☐	✓	☐

Interviews indicated that the district does not use its multiyear projection in making financial decisions; however, the district sometimes consults with the county office on the affordability of proposed expenditures. Furthermore, interviews indicated that the district often incurs expenditures for unbudgeted costs without prior communication with the contracted accountant from the county office.

		Yes	No	N/A
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 incurred non-voter-approved debt for the purchase of a passenger bus. Payments on the loan are made from the unrestricted general fund.

		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?	☐	☐	✓

		Yes	No	N/A
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?	✓	☐	☐

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?	☐	✓	☐
	No staffing ratios were provided, and the district's staffing levels have not been adjusted to align with its declining enrollment.			
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?	✓	☐	☐
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	☐	✓	☐
	Interviews indicated that positions were added without governing board approval.			
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	☐	✓	☐
	Interviews indicated that positions and stipends were added without board approval.			
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)?	☐	✓	☐
	The district did not provide any evidence indicating that it uses appropriate tools to help it make informed decisions about providing additional services to students.			
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)?	☐	✓	☐
	According to its 2021-22 unaudited actuals report, the district did not charge indirect costs to special education. The district should charge allowable indirect costs to correctly account for all costs related to special education.			
20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	☐	✓	☐
	The district's 2022-23 interim reports did not include the Special Education Maintenance-of-Effort, Interim Projections-to-Actuals (SEMAI) form that shows the district's projected revenue, expenditures and contribution to special education. The district's 2021-22 unaudited actuals report did not include the Special Education Maintenance-of-Effort, Actuals-to-Actuals (SEMA) form that shows the district's estimated			

revenue, expenditures and contribution to special education for the year. Without that information, FCMAT could not determine the district's contribution rate and whether it was 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? . . . . ✓ ☐ ☐

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

The district did not provide any evidence indicating that it analyzes whether it will meet the maintenance of effort requirement at each interim reporting period. Moreover, neither of the district's 2022-23 interim reports included the SEMAI form.

Risk Score, 20 numbered sections only: **46.0%**

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

Appendix A — Study Agreement

Appendix A — Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
September 11, 2023

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

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). In accordance with the 2018-19 Budget Act, the team has been assigned to study the district's fiscal health because the district received from the county superintendent of schools: (1) a downgraded 2022-23 second interim report; and (2) a lack of going concern designation. The team may include staff from FCMAT, county offices of education, the California Department of Education, other school districts, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

The county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

1. Orientation Meeting – If on-site review is needed, the team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the district office and at school sites if necessary.
3. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
5. Board Presentation – The team will make a presentation regarding the final report at a district board meeting.

3. PROJECT PERSONNEL

The FCMAT study team may include:

A. To be determined FCMAT Staff

B. To be determined FCMAT Staff

4. PROJECT COSTS

Pursuant to the 2018-19 Budget Act, costs for the study shall be as follows:

A. All staff member and consultant daily rates and expenses will be covered by a specific state apportionment for this purpose.

B. Based on the elements noted in section 2A, the total cost of the services is $0.

5. RESPONSIBILITIES OF THE DISTRICT

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

B. The district will provide the following items:

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

C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

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

6. PROJECT SCHEDULE

The schedule of services will be determined jointly by FCMAT and the district.

7. COMMENCEMENT AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

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

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. Upon the request of the district and the receipt of the signed study agreement, FCMAT shall provide certificates of insurance, with Ducor Union Elementary School District named as additional insured, indicating applicable insurance coverages.

10. HOLD HARMLESS

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

11. COVID-19 PANDEMIC

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

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

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

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

12. FORCE MAJEURE

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

13. CONTACT PERSON

Name: Dr. Robert Hudson
Telephone: (559) 534-2261
E-Mail: rhudson@ducor.k12.ca.us

Robert M Hudson 9/11/23

Dr. Robert Hudson, Interim Superintendent Date
Ducor Union Elementary School District

Michael T Fine 9/11/23

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