

## Fiscal Health Risk Analysis

June 23, 2023



## Happy Camp Union Elementary School District

Michael H. Fine  
Chief Executive Officer

June 23, 2023

Derek Cooper, Superintendent/Principal  
Happy Camp Union Elementary School District  
114 Park Way  
Happy Camp, CA 96039

Dear Superintendent Cooper,

In March 2022, the Happy Camp Union Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's fiscal health. The agreement stated that FCMAT would perform the following:

1. 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 final report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Happy Camp Union Elementary School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine  
Chief Executive Officer

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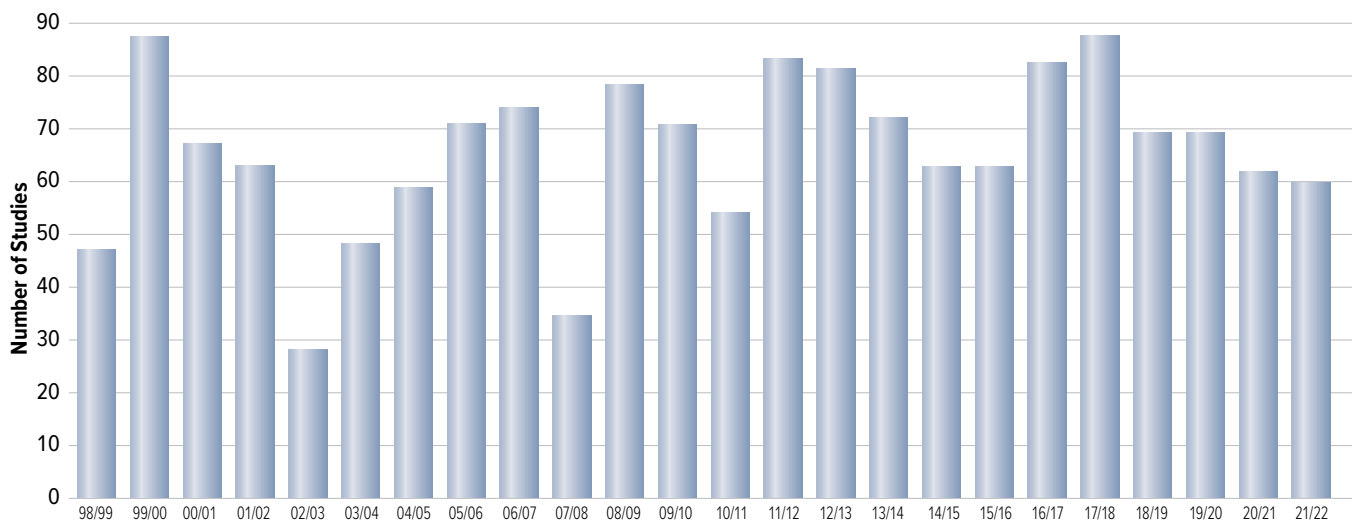
# About FCMAT

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

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

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

## Studies by Fiscal Year



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](http://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.

- Lack of going concern designation

In a letter dated September 15, 2022, the county superintendent of schools designated the district as a lack of "going concern," and approved the district's budget and Local Control and Accountability Plan (LCAP).

The Happy Camp Union Elementary School District is located in Northern California's Siskiyou County, near the Oregon border. It serves the town of Happy Camp, which is the seat of the Karuk Tribe. According to the 2020 Census, 40% of the Happy Camp census-designated place population identifies as having partial to full American Indian<sup>1</sup> heritage. As of the most recent 2021-22 principal apportionment certification,<sup>2</sup> the percentage of the district's students who qualify as unduplicated pupils (i.e., are English learners, foster or homeless youth, or qualify for free or reduced-price meals) is 63.17%.

The district operates a single school that serves 105<sup>3</sup> students in transitional kindergarten through grade eight. It houses a special education classroom, staffed by the Siskiyou County Office of Education, for students residing within the district boundary as well as neighboring school districts. The district is governed by a five-member board, and its administrative cabinet comprises a single position that is a combination of a superintendent and principal. The district office has three staff, including the superintendent/principal, one business manager, and one administrative assistant/secretary combination position.

The district has an ongoing contract with the county office to help develop and maintain the district's budget and Standardized Account Code Structure (SACS) financial reports based on input from the district regarding budget assumptions. The contract includes preparation of the of the adopted budget, interim and unaudited actuals reports. The district has a separate temporary contract for the county office to provide additional support for accounts payable and payroll data-entry services. The district administers and maintains its own student information system, but it contracts with the county office to administer and maintain its financial system.

The district has been deficit spending for the last three years, beginning in the 2020-21 fiscal year. Per its 2022-23 adopted budget, the district has a projected reserve of approximately 10.24%. On September 12, 2022, the county office developed the district's 2022-23 adopted budget in accordance with Education Code (EC) 42127(d)(1), after the district failed to submit its budget to the county office by July 1, 2022. The county office included the district's estimates for enrollment, staffing and LCAP expenditures in the budget.

The district's 2021-22 audit report is incomplete, which is a factor that both limits this review and increases the district's fiscal risk.

<sup>1</sup>Terminology quoted from the U.S. Census. FCMAT acknowledges and respects that individuals with native ancestry may not identify with this term.

<sup>2</sup>California Department of Education (CDE) Principal Apportionment data: School District Unduplicated Pupil Percentage funding exhibit for the 2021-22 Annual certification period, line C-1 Unduplicated Pupil Percentage.

<sup>3</sup>CDE Principal Apportionment data: School District Unduplicated Pupil Percentage funding exhibit for the 2021-22 Annual certification period, lines A-2 CALPADS Enrollment and A-3 CALPADS enrollment for District Funded County Program Students, Current Year column.

Moreover, the district's 2020-21 audit report was not completed until February 2, 2023, shortly before FCMAT began fieldwork. The 2019-20 and 2020-21 audit reports each included findings that indicate the district was slow to respond to audit document requests. The auditor could not complete the 2020-21 audit's scope of work because the district failed to provide sufficient audit evidence. Consequently, the 2020-21 audit report contains a disclaimer and an adverse opinion.

During the period under review in this analysis and report, the Happy Camp community experienced two major events:

- The COVID-19 pandemic began in January 2020. California Governor Gavin Newsom issued a statewide stay-at-home order on March 19, 2020.
- The Slater fire started on September 8, 2020. Two lives were lost and structures on more than 225 properties were damaged.

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 Happy Camp Union Elementary School District on February 17, 2023. A modified study agreement was entered into on March 29, 2023 to correct the condition that automatically engaged FCMAT. A study team visited the district on March 22-23, 2023, to conduct interviews, collect data and review documents. The team conducted follow-up interviews via video conference on March 27 and April 4. 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 Ward

FCMAT Intervention Specialist

Diane Branham

FCMAT Chief Analyst

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

Date(s) of fieldwork: March 22, 23 and 27, and April 4, 2023

District: Happy Camp Union Elementary School District

## Summary

On June 16, 2022, the Siskiyou County Office of Education sent a letter to the Happy Camp Union Elementary School District's superintendent/principal and board stating that the county office would be unable to prepare the district's 2022-23 budget documents by June 23, 2022, because the district had failed to meet multiple information submission deadlines and extensions. The letter indicated that the district's failure to provide the information necessary to develop its budget within the specified timeline was in violation of the Cooperative Agreement for School Business Support Services between the district and the county office. Subsequently, the district failed to submit an approved budget to the county office by July 1, 2022. The county office then used the best information known to it at the time to develop and prepare the district's 2022-23 adopted budget in accordance with EC 42127(d)(1).

While the county office has only been required to develop the district's adopted budget once in accordance with EC 42127(d)(1), the district's lack of communication and follow-through has hindered school operations on multiple occasions. The 2019-20 and 2020-21 audit reports each included findings that indicate district management's delayed responses made it challenging for the auditor to obtain documents, perform testing and complete audits timely. Consequently, the 2019-20 and 2020-21 audit reports were not completed until eight months and one year, respectively, past the deadline extensions granted to the district. The 2021-22 audit report has been similarly delayed and was unavailable for review.

In conducting its analysis, FCMAT experienced a similar lack of communication, follow-through, and documents. Throughout the engagement, district staff required multiple prompts to set up accounts to submit documents, to confirm interviews with staff, and to respond to requests for information. The district also required additional time to produce documents. Some staff did not attend previously agreed upon meetings with little or no advance notice. Ultimately, district management failed to produce the documents it had committed to provide in multiple communications.

In addition, the district's 2020-21 audit report included 18 findings, including internal control deficiencies, material weaknesses and questioned costs (costs that are questioned by the auditor because of an audit finding). It was issued with an adverse opinion on state compliance and a disclaimer of opinion on the financial statements contained within it because of the lack of audit evidence.

This fiscal health risk analysis shows that the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that may have contributed to the district's fiscal distress. Of significant concern is the district's failure to develop and report budgeted versus actual operational costs timely, which limits its ability to identify and respond to budgetary issues with a minimal amount of disruption to school operations. The quality of the information used to develop these costs is also negatively affected by the district's:

- Inability to preauthorize purchases timely and process accounts payable regularly, hindering the district's access to current budget information and activity to date.
- Use of local bank accounts, circumventing the receipt and purchasing controls that provide the board with visibility and timely information that allow it to make operational decisions.
- Inability to provide expenditure reports to funding authorities on time, resulting in revenue loss and delayed cash reimbursements.
- Inability to provide the county office with timely salary and benefit information for inclusion in the budget and interim reports.
- Inability to provide the county office with timely LCAP information for inclusion in the budget report.
- Inability to provide the auditor with documents and other information to obtain a timely and complete audit report, resulting in delayed actionable information and multiple years of repeated findings.

The district's 2022-23 adopted budget indicated that not only will it continue deficit spending over the next three years, but it will also be unable to meet the legally required reserve for economic uncertainty beginning in 2023-24, as shown below.

| Fiscal Year                         | 2022-23      | 2023-24       | 2024-25         |
|-------------------------------------|--------------|---------------|-----------------|
| Unrestricted Deficit Spending       | \$880,433.16 | \$879,686.72  | \$778,260.82*   |
| Reserve Percent Standard            | 5%           | 5%            | 5%              |
| Reserve Standard in Dollars         | \$157,374.97 | \$146,313.40  | \$147,282.95    |
| Available Reserves                  | \$322,385.72 | -\$555,801.00 | -\$1,334,061.82 |
| Total Available Reserves by Percent | 10.24%       | -18.99%       | -45.29%         |
| Reserve Standard Met/Not Met        | Met          | Not Met       | Not Met         |

\*The unrestricted deficit spending balance is the total of the unrestricted net decrease in fund balance and negative restricted ending balances in the general fund.

Districts that proactively manage their budgets and maintain healthy financial reserves and cash balances are in a better position to weather economic crises. Districts with minimal reserves and/or cash balances may be forced to make more drastic cuts to remain fiscally solvent.

The following subsequent event information was not available during the development of the 2022-23 adopted budget. These events may further decrease the district's projected unrestricted ending fund balance and its ability to weather an economic crisis:

| Subsequent Event                                                           | FHRA Question(s)     | Reduction    |
|----------------------------------------------------------------------------|----------------------|--------------|
| 2020-21 Siskiyou Afterschool for Everyone timely report issue              | 2.7, 13.6            | \$71,500     |
| 2020-21 Local Control Funding Formula audit findings                       | 1.1, 12.5, 14.3      | \$187,324    |
| 2020-21 Proposition 39 California Clean Energy Jobs Act audit finding      | 1.1, 2.7, 12.5, 13.6 | \$220,132    |
| 2019-20 and 2020-21 Education Protection Account compliance audit findings | 1.1, 12.5            | Undetermined |
| 2021-22 audit findings                                                     | 12.5                 | Undetermined |

Also subsequent to the development of the 2022-23 adopted budget, the district completed and paid for a paving project at a cost of approximately \$200,000. The district directed the county office to pay for the project from the special reserve fund for capital outlay projects (fund 40), but the district failed to transfer the cash from the Local Agency Investment Fund (LAIF). The district's financial reports show that the funds were instead transferred to deferred maintenance (fund 14), then budgeted as revenue and expended from fund 14. This issue does not affect the minimum reserves available in the district's unrestricted general fund, but it does cause an overstatement of the fund 40 balance.

The board is ultimately responsible for the district's budget, while management is responsible for providing accurate financial information based on current, reliable data so the board can make sound decisions. The district's ongoing inability to perform basic operational business functions and to produce timely financial information has resulted in the swift deterioration of its 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.

| <b>Budget and Fiscal Status: Is district currently <i>without</i> the following?:</b> | <b>Yes</b>               | <b>No</b>                |
|---------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Disapproved budget . . . . .                                                          | ✓                        | <input type="checkbox"/> |
| Negative interim report certification . . . . .                                       | ✓                        | <input type="checkbox"/> |
| Three consecutive qualified interim report certifications . . . . .                   | ✓                        | <input type="checkbox"/> |
| Downgrade of an interim certification by the county superintendent . . . . .          | ✓                        | <input type="checkbox"/> |
| Lack of going concern designation . . . . .                                           | <input type="checkbox"/> | ✓                        |

| <b>Material Weakness Questions</b>                                                                                                                                                                                                                                                                                   | <b>Yes</b>               | <b>No</b>                | <b>N/A</b>               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . . .                                                                                                                                                                   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . .                                                                                   | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? . . . . .                                                                                                                                      | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . .                                                                                                                                                 | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . .                                                        | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . .                                                                                                                                         | <input type="checkbox"/> | <input type="checkbox"/> | ✓                        |
| 5.3 Are all charters authorized by the district going concerns and not in fiscal distress? . . . . .                                                                                                                                                                                                                 | <input type="checkbox"/> | <input type="checkbox"/> | ✓                        |
| 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? . . . . .                                                                                                                                                        | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . . | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . .                                                                                  | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? . . . . .                                                                                               | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |

- |      |                                                                                                                                                                                                          |                          |                          |                          |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 10.6 | Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? . . . . .                                            | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 11.2 | Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? . . . . .                                          | <input type="checkbox"/> | <input type="checkbox"/> | ✓                        |
| 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? . . . . .                        | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 12.2 | Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?. . . . .                                                                                      | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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? . . . . . | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 19.1 | Does the district account for all positions and costs? . . . . .                                                                                                                                         | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |

## Score Breakdown by Section

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

|                    |                                                   |              |
|--------------------|---------------------------------------------------|--------------|
| 1.                 | Annual Independent Audit Report                   | 0.5%         |
| 2.                 | Budget Development and Adoption                   | 4.5%         |
| 3.                 | Budget Monitoring and Updates                     | 4.5%         |
| 4.                 | Cash Management                                   | 8.6%         |
| 5.                 | Charter Schools                                   | 0.0%         |
| 6.                 | Collective Bargaining Agreements                  | 5.9%         |
| 7.                 | Contributions and Transfers                       | 1.0%         |
| 8.                 | Deficit Spending (Unrestricted General Fund)      | 3.5%         |
| 9.                 | Employee Benefits                                 | 2.3%         |
| 10.                | Enrollment and Attendance                         | 5.5%         |
| 11.                | Facilities                                        | 0.4%         |
| 12.                | Fund Balance and Reserve for Economic Uncertainty | 3.5%         |
| 13.                | General Fund - Current Year                       | 0.8%         |
| 14.                | Information Systems and Data Management           | 2.0%         |
| 15.                | Internal Controls and Fraud Prevention            | 8.0%         |
| 16.                | Leadership and Stability                          | 2.9%         |
| 17.                | Multiyear Projections                             | 1.0%         |
| 18.                | Non-Voter-Approved Debt and Risk Management       | 0.0%         |
| 19.                | Position Control                                  | 2.0%         |
| 20.                | Special Education                                 | 1.4%         |
| <hr/> <b>Score</b> |                                                   | <b>58.2%</b> |

# Fiscal Health Risk Analysis Questions

| Budget and Fiscal Status: Is the district currently <i>without</i> the following?: | Yes                      | No                       |
|------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Disapproved budget . . . . .                                                       | ✓                        | <input type="checkbox"/> |
| Negative interim report certification . . . . .                                    | ✓                        | <input type="checkbox"/> |
| Three consecutive qualified interim report certifications . . . . .                | ✓                        | <input type="checkbox"/> |
| Downgrade of an interim certification by the county superintendent . . . . .       | ✓                        | <input type="checkbox"/> |
| Lack of going concern designation . . . . .                                        | <input type="checkbox"/> | ✓                        |

| 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? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <input type="checkbox"/> | ✓  | <input type="checkbox"/> |
| <p><i>At the time of fieldwork, the 2021-22 audit report had not been completed, so its fiscal impact to the district is unknown. Consequently and in lieu of the 2021-22 report, FCMAT reviewed the district's third most recent audit report available, the 2018-19 audit report.</i></p> <p><i>The district's 2020-21 audit report included 18 findings; four of which contained questioned costs<sup>4</sup> that will reduce the district's unrestricted ending fund balance by a total of \$407,456. Of these four findings, one is a repeated finding from the 2018-19 and 2019-20 audit reports. Because the district failed to provide sufficient documents for the 2020-21 audit report, the auditor could not determine the questioned costs related to the improper allocation of other post-employment benefit unfunded liability costs to federal programs. This was a repeated finding from the 2019-20 audit report. In addition, the 2020-21 audit report included a repeated finding from 2019-20 for noncompliance with Education Protection Account (EPA) public reporting requirements, which indicates that the district may lose multiple years of EPA funding.</i></p> <p><i>District staff indicated that they were implementing corrective actions to resolve these findings. County office staff also indicated that they were working with the Education Audit Appeals Panel (EAAP) and the California Department of Education (CDE) on the district's behalf to obtain a multiyear repayment plan for \$187,324 of the questioned costs for unduplicated pupil counts, student attendance, and minimum day requirements.</i></p> <p><i>The 2019-20 audit report included nine findings, none of which negatively affected the district's fiscal health, except as described above.</i></p> <p><i>The 2018-19 audit report included four findings, one of which contained questioned costs of \$3,433.</i></p> |                          |    |                          |

<sup>4</sup>Title 2, Code of Federal Regulations Section 200.1 defines a "questioned cost" as a cost that is questioned by an auditor because it may not be supported by adequate documentation, it does not reflect the actions that a prudent person would take in the circumstance, or it may result from a violation or possible violation of the terms and conditions of funding. Questioned costs are not an improper payment until reviewed and confirmed. However, pending questioned costs pose an increased risk to the district's fiscal health until they are verified and corrected.

- 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.) . . . . . ☐ ✓ ☐

*At the time of fieldwork, the district's 2021-22 audit had not been completed and presented to its board.*

*Education Code 41020(h)(2) extended the 2020-21 audit report completion deadline from December 15, 2021 to January 31, 2022, and EC 41020.3(b) extended the board presentation deadline from January 1, 2022 to February 28, 2022. However, the district's 2020-21 audit report was not completed until February 2, 2023, and as of March 2023, it had not been presented to the board.*

- 1.3 Were the district's most recent and prior two audit reports free of findings of material weaknesses? . . . . . ☐ ✓ ☐

*The district's 2020-21 audit includes a summary of internal control deficiencies over financial reporting, as shown below.*

|                        | 2018-19 | 2019-20 | 2020-21 |
|------------------------|---------|---------|---------|
| Significant Deficiency | 1       | 4       | 6       |
| Material Weakness      | 0       | 0       | 4       |

*Deficiencies in internal controls over financial reporting hinder staff from preventing or detecting and correcting misstatements in the course of their regular job duties, before the information is used to make operational decisions. A material weakness is more significant than a significant deficiency, but both merit attention and correction. All four significant deficiencies identified in the 2019-20 audit were escalated to material weakness status in the 2020-21 audit.*

*The 2020-21 audit report also includes:*

- Adverse opinions on state compliance and state programs.*
- A disclaimer of opinion in three areas: governmental activities, general fund and aggregate remaining fund information.*

*The auditor was unable to obtain sufficient evidence to provide a basis for an audit opinion. The audit report describes documentation as insufficient or nonexistent in multiple critical areas. Furthermore, the report notes that if the evidence provided had been sufficient to express an opinion on the basic financial statements, other instances of noncompliance or other matters may have been identified.*

- 1.4 Has the district corrected all reported audit findings from the most recent and prior two audits? . . . . . ☐ ✓ ☐

*At the time of fieldwork, district staff indicated that they were implementing corrective actions to resolve the 18 findings included in the 2020-21 audit report. Of these findings:*

- Six were included in the 2019-20 audit report and repeated in the 2020-21 audit report.*
- One was included in the 2018-19 audit report and was repeated in both the 2019-20 and 2020-21 audit reports.*
- One was included in the 2018-19 audit report and was only partially implemented in the 2019-20 and 2020-21 audit reports.*
- Ten were newly included in the 2020-21 audit report.*

| 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? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.3 | Does the district use position control data for budget development? . . . . .<br><i>The district lacks a formal position control system. Its business manager maintains salary and benefit information on a spreadsheet, which she uses to inform the county office staff who process the district's payroll and prepare its budget. The spreadsheet is structured to track payroll for individuals and does not contain any control elements to track board-approved positions.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 2.4 | Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.5 | Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . . .<br><i>The county superintendent of schools unconditionally approved the district's 2020-21 and 2021-22 budgets.</i><br><i>In 2022-23, the district continued its contract with the county office to assist with the district's budget development. The district failed to meet the information submission timeline, so the county office was unable to complete the budget documents in time for public review and board approval in June 2022. The district subsequently failed to submit a board-approved budget to the county office by July 1, 2022, which resulted in the county office developing the 2022-23 budget on behalf of the district, in accordance with EC 42127(d)(1). The 2022-23 budget was sent to the district's board on September 15, 2022, with a summary letter containing a lack of going concern designation. See 2.8 below for additional information.</i> | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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)? . . . . .<br><i>The district's budget development process generally involves collaboration among the superintendent/principal, business manager, and the county office staff who are assigned to provide the district with budget services. The district does not solicit input from the community, board or other staff.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 2.7 | Does the district budget and expend restricted funds before unrestricted funds? . . . . .<br><i>District staff indicated that the standard practice is to use restricted funds before unrestricted funds. However, staff members' failure to file timely reports has caused the district to lose funding in multiple programs, including \$71,500 for the Siskiyou After-school for Everyone (SAFE) program in 2020-21 and \$220,132 for the Proposition 39 California Clean Energy Jobs Act in 2022-23. Despite incurring operational costs and having been granted multiple extensions, the district still failed to provide the required SAFE program expenditure reports by the specified deadlines. Similarly, the district failed to provide a final report for the Proposition 39 California Clean Energy Jobs Act program by the deadline, even though it was extended by one year in response to the COVID-19 pandemic.</i>                                                                                                   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |

- 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? . . . . . ☐ ☒ ☐

*The district contracts with the county office for budget development and budget maintenance services. Under the district's established procedure, the district provides its average daily attendance (ADA), enrollment, payroll and LCAP information to the county office. County office staff enter this information into a budget model in the district's financial system. Other miscellaneous expenditure items are then added to the model, based primarily on prior year budget allocations or activity to date. The county office and district administration meet to review and modify the estimates and finalize the expenditure projections, then the county office finalizes the budget model and prepares the district's SACS software documentation and budget narrative document.*

*Per the June 29, 2021 meeting minutes, the board approved the district's 2021-22 LCAP and budget within the statutory timelines. The county superintendent approved the district's budget in a 2021/2022 Local Control and Accountability Plan (LCAP) and Budget Approval letter dated October 7, 2021.*

*According to letters from the county office dated June 16, 2022 and September 15, 2022, the county office first requested that the district provide budget and board meeting information for 2022-23 on April 1, 2022. In April, May and June 2022, the county office sent the district a total of 15 information requests. District staff and a consultant responded only eight times during this period, including the following information in four of those responses:*

- *April 20, 2022: enrollment and ADA projections*
- *May 20, 2022: initial payroll projections*
- *May 27, 2022: special board meeting dates of June 22 and 23*
- *June 28, 2022: revised payroll projections and LCAP budget information*

*Consequently, the county was unable to complete the district's budget model and SACS budget documents in time for the district's 72-hour public inspection period, public hearing, and board meeting. The district then failed to submit its 2022-23 adopted budget to the county superintendent for approval by July 1, 2022.*

*The county office then developed the district's 2022-23 adopted budget in accordance with EC 42127(d)(1). If a district fails to submit a budget to the county office by July 1, this code requires the county superintendent to develop a budget and communicate it to the district's board by September 15. This budget is deemed adopted, unless the county superintendent approves any modifications made by the board. The district's board meeting minutes indicate that the adopted budget was reviewed as an information item at the district's October 13, 2022 board meeting.*

- 2.9 Has the district refrained from including carryover funds in its adopted budget? . . . . . ☒ ☐ ☐
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts? . . . . . ☒ ☐ ☐

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

*The district has recently applied for and accepted special grants; however, it lacks a policy or process to evaluate the potential multiyear impact of proposed grants and other types of restricted funds on the 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? . . . . . ☐ ☒ ☐

*No evidence was provided to show that the district adheres to a budget calendar. See 2.8 above for additional information.*

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

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

*A review of the district's Comparative Budget Report, dated 4/4/2023, found that the district's budget is insufficient to support the year-to-date activity and/or outstanding encumbrances in multiple instances, including:*

- *Other certificated salaries paid from Project School Emergency Response to Violence funding have actual activity of almost \$14,000, but no budget has been established.*
- *Professional/consulting services and operating expenditures paid from unrestricted funds are projected to exceed the budget by almost \$20,000.*
- *Operations and housekeeping services paid from unrestricted funds are projected to exceed the budget by more than \$9,000.*
- *Insurance paid from unrestricted funds is projected to exceed the budget by more than \$8,400.*

*Additionally, the district does not regularly process accounts payable. Consequently, items without a purchase order or other encumbrance in the financial system will cause additional discrepancies between the district's expenses and its most current budget.*

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

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

- 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? . . . . . ☒ ☐ ☐

- 3.5 Do the district's responses fully explain the variances identified in the criteria and standards? . ☒ ☐ ☐

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

*The district has not addressed the deficiencies included in the county superintendent's 2022-23 adopted budget oversight letter:*

- *Deficit spending, decreasing ending fund balance, and not meeting the required reserve for economic uncertainty.*
- *Breakdown in leadership and communication.*

*According to the district's 2022-23 second interim report, the district's criteria and standards indicated that the district has ongoing deficit spending, a decreasing ending fund balance and an inability to meet its 5% minimum reserve for economic uncertainty. In addition, the district continues to require multiple prompts from the county office for response and follow-through on regular communications.*

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

*The district's financial system can provide either a hard stop or a soft warning when the budget is insufficient to support an expenditure, but the district has not enabled either of these features.*

*The 2019-20 and 2020-21 audit reports indicated that the district does not regularly use requisitions and purchase orders. The 2020-21 audit report also indicated that the district's general fund expenditures exceeded the budget in one major object code.*

- 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? . . . . . ☐ ✓ ☐

*Interviews indicated that the balance sheet accounts are reconciled annually. However, the 2020-21 audit report indicated that the district does not consistently clear receivables and payables, in some cases creating a carryover balance for several years.*

*A review of more recent balance sheet account detailed general ledger data indicated that balances are not processed and reconciled. For example, use tax fees should be paid at least annually. The district's general ledger data for 2021-22 and 2022-23 indicated that the district accrues use tax fees throughout the year, but it does not record payments to the balance sheet account and it has carried a balance forward in both years.*

- 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? . . . . . ☐ ✓ ☐

*According to board meeting minutes, the district has adopted unaudited actuals and interim reports outside the timelines established in education code for the following reporting periods:*

| Financial Report          | Statutory Due Date | Board Approval Date |
|---------------------------|--------------------|---------------------|
| 2020-21 First Interim     | December 15, 2020  | February 11, 2021   |
| 2020-21 Second Interim    | March 17, 2021     | April 8, 2021       |
| 2020-21 Unaudited Actuals | September 15, 2021 | December 9, 2021    |
| 2021-22 First Interim     | December 15, 2021  | February 10, 2022   |

2021-22 Unaudited Actuals

September 15, 2022

November 17, 2022

*In addition, no evidence was provided to show that the 2021-22 second interim report was adopted at a board meeting.*

| 4. Cash Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Yes                                 | No                                  | N/A                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| <p>4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? . . . . . <input type="checkbox"/></p> <p><i>The county office is responsible for reconciling the accounts held by the county treasurer. County office staff indicated that reconciliations are usually performed monthly, but that they are a few months behind.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| <p>4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? . . . . . <input type="checkbox"/></p> <p><i>District staff indicated that the district has four local bank accounts and an investment account with the LAIF. No evidence was provided to show that the investment account or the bank accounts are reconciled monthly.</i></p> <p><i>The 2020-21 audit report included a finding of significant deficiency in internal controls regarding bank accounts and cash management. The district used the revolving bank account to both deposit and expend fundraising proceeds. As the audit states, these funds should be maintained and expended from the general fund account through the district's financial system. The district's response and action plan included in the audit report indicated that these funds were donations for fire victims, that it was a one-time unexpected incident, and that it would not be repeated.</i></p> <p><i>District staff indicated that in 2022-23, the district deposited funds collected for facilities use to its LAIF pass-through account, rather than depositing the funds with the county treasury. The district then expended these funds directly from this account to purchase a travel trailer and to make trailer park improvements. This is an improper use of a local bank account. Funds should first be deposited in the county treasury and then budgeted and expended through the district's financial system.</i></p> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| <p>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? . . . . . <input type="checkbox"/></p> <p><i>County office staff create cash flow projections for the district. The 2021-22 first interim report did not include a cash flow projection. The 2021-22 second interim and 2022-23 adopted budget reports included cash flow projections for the current year; however, they did not provide projections for the subsequent year.</i></p> <p><i>The district's cash flow projections do not include projected activity for balance sheet items. The 2021-22 second interim cash flow projection showed actual activity through the reporting period, but it did not include beginning balances for balance sheet items. The 2022-23 budget report cash flow projection did not include beginning balances or projected activity for any balance sheet items.</i></p> <p><i>The 2020-21 audit report indicated that the district does not consistently clear receivables and payables from the accounts in which they were accrued, in some cases carrying forward receivables and payables for several years. Correctly completing the "Accounts Receivable," "Accounts Payable" and other related rows in the "Balance Sheet Items" section of the cash flow projection can help the district identify balance sheet issues that may affect the budget and require a budget adjustment.</i></p>                                 | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- 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 2022-23 adopted budget included a cash flow projection that showed the district's general fund is sufficient to support its 2022-23 obligations, but it did not include a cash flow projection for the subsequent year. The district can neither determine if it has sufficient cash to support its projected obligations nor can it develop a reasonable plan to address any cash flow needs without a cash flow projection for the 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? . . . . . ☐ ☒ ☐

*Interviews with district staff, the three most recent audit reports, and the 2021-22 unaudited actuals report all indicated that the cafeteria fund has required transfers each year because of deficit spending and insufficient cash resources. The 2022-23 adopted budget report projects additional transfers from the general fund to the cafeteria fund in the current and two subsequent fiscal years. The 2021-22 and 2022-23 cash flow reports from the district's financial system also show negative ending cash each month in payroll clearing (fund 77) and accounts payable clearing (fund 87).*

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

*Education Code 42603 requires that interfund borrowing be repaid either in the same fiscal year or in the following fiscal year if the transfer occurs in the final 120 calendar days of a fiscal year. The district's 2021-22 Detailed General Ledger report shows that the special reserve fund for postemployment benefits owes the general fund \$15,400, and the general fund owes the cafeteria fund \$24,189; these were carryover balances from a previous fiscal year. Neither of these amounts had been repaid as of April 19, 2023.*

- 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? . . . . . ☒ ☐ ☐

- 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? . . . . . ☐ ☒ ☐

*The district prepared a Public Disclosure of Salary and Benefit Negotiations form for its 2022-23 agreements with both bargaining units. However, the district did not provide the tentative agreements or detailed calculations showing the costs and ongoing fiscal impact of each settlement, so FCMAT was unable to verify whether those calculations were performed accurately.*

- 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? . . . . . ☐ ☒ ☐

*No evidence was provided to show that the district completed a presettlement analysis.*

- 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 table below shows the state's COLAs by year:*

| Year    | Statutory COLA | Funded COLA | Effective Increase Over Prior Year |
|---------|----------------|-------------|------------------------------------|
| 2020-21 | 2.31%          | 0.00%       | 0.00%                              |
| 2021-22 | 1.70%          | 2.70%       | 5.07%                              |
| 2022-23 | 6.56%          | 6.56%       | 6.56%                              |

*\*The 2021-22 compounded COLA comprised a statutory COLA adjustment from fiscal years 2020-21 (2.31%) and 2021-22 (1.70%), and an additional 1% increase in the LCFF base grant, for an effective increase of 5.07%.*

*Source: CDE LCFF COLA.*

*The district's Public Disclosure of Salary and Benefit Negotiations form does not include the total cost change to implement the proposed agreement as a percentage. However, the 2020-21 disclosures show a 5% salary increase and increased district contributions for health and welfare benefits for each bargaining unit. The district did not provide 2021-22 disclosure documents, so FCMAT was unable to determine if the total cost of the settlements was at or under the funded COLA. The district's 2022-23 disclosures show a 10% salary increase for certificated employees, an 8% salary increase for classified employees, and increased district contributions for health and welfare benefits for each bargaining unit.*

*The county office's June 27, 2022 review letter for the district's 2022-23 disclosures states that the "office has concerns over the district's ability to afford this compensation package and maintain ongoing fiscal solvency."*

- 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? . . . . . ☐ ☒ ☐

*The March 11, 2021 board meeting minutes show that the public disclosures and tentative certificated and classified collective bargaining agreements were on the open session agenda and that the district's board approved the disclosures and agree-*

ments. The business manager, acting as chief business official (CBO), and the superintendent signed the disclosures on March 5, 2021; however, no evidence was provided to show that the disclosures were provided to the county office.

The June 28, 2022 board meeting minutes show that the district's board discussed negotiations in closed session and then took action in open session to approve the 2022-23 public disclosures and tentative certificated and classified bargaining agreements. However, the public disclosures and tentative agreements were not listed as items on the open session meeting agenda. The Siskiyou County school district disclosure form states that it is to be signed by the superintendent and CBO and provided to the county superintendent for review a minimum of five days before the board meeting at which the agreement is to be ratified. The superintendent and CBO signed the disclosures on June 13, 2022; however, the county office's June 27, 2022 review letter indicated that the public disclosures were not provided timely.

Board meeting minutes also show that the board has approved various memoranda of understanding and other agreements with bargaining units since July 2020; however, the district did not provide the county office or the public with disclosure documents for these items.

- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? . . . . . ☐ ☒ ☐

See 6.7 above for additional information.

- 6.9 Is the governing board's action consistent with the superintendent's and CBO's certification? . ☐ ☒ ☐

See 6.7 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 lacks a plan to reduce contributions/transfers from the unrestricted general fund to other restricted programs and/or funds.

- 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 2022-23 adopted budget report includes unrestricted general fund deficit spending of \$880,433.16.

- 8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years? . ☐ ☒ ☐

The district's 2022-23 adopted budget multiyear projection (MYP) report includes unrestricted general fund deficit spending of \$879,686.72 and \$778,260.82 in 2023-24 and 2024-25, respectively. The projected restricted ending balance in 2023-24 is positive. The 2024-25 balance is the total of the unrestricted net decrease in fund

balance and negative restricted ending balances in the general fund. The restricted ending balance in either year may be overstated because the projection method does not evaluate restricted ending balances separately by funding source. This may cause deficit spending to be greater than identified.

- 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? . . . . . ☐ ☒ ☐

*The district has not implemented a plan to reduce and/or eliminate its deficit spending. However, the district's administration was working with the county office in March 2023 to develop a plan to recommend to the district's board.*

- 8.4 Has the district decreased deficit spending over the past two fiscal years? . . . . . ☐ ☒ ☐

*According to the unaudited actuals, the district has increased deficit spending over the past two fiscal years:*

- \$98,856.18 in unrestricted general fund deficit spending in 2020-21.
- \$313,249.20 in unrestricted general fund deficit spending in 2021-22.

## 9. Employee Benefits Yes No N/A

- 9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)? . . . . . ☐ ☒ ☐

*The district has not completed an actuarial valuation for its 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 did not provide FCMAT with the California School Employees Association's collective bargaining agreement, so FCMAT was unable to review the agreement's terms. District staff indicated that excess vacation time is paid out at the end of each fiscal year, but no documents were provided that show 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? . . . . . ☐ ☒ ☐

*Interviews indicated that the district has not conducted a benefits eligibility review within the last five years.*

- 9.5 Does the district track, reconcile and report employees' compensated leave balances? . . . . . ☐ ☒ ☐

*No documents were provided showing the accruals and reductions of leave balances. District staff indicated that leave balances are not reconciled until fiscal year-end, at which point the balance information is provided to employees. This practice is not in compliance with Labor Code 246(i), which states:*

*An employer shall provide an employee with written notice that sets forth the amount of paid sick leave available, or paid time off leave an employer provides in lieu of sick leave, for use on either the employee's itemized wage statement described in Section 226 or in a separate writing provided on the designated pay date with the employee's payment of wages...*

**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? . . . . . ☐ ☒ ☐

*According to DataQuest, the district's enrollment declined in 2020-21, but it has since increased each year.*

|             | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|-------------|---------|---------|---------|---------|
| Enrollment* | 128     | 97      | 102     | 108     |
| Change      |         | -31     | 5       | 6       |

*\*Enrollment values exclude district-funded county program students.*

- 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)? . . . . . ☐ ☒ ☐

*Board meeting minutes show that current enrollment and/or ADA is/are provided at some meetings; however, no evidence was provided to show that the district monitors and analyzes enrollment and ADA at least monthly.*

- 10.3 Does the district track historical enrollment and ADA data to establish future trends? . . . . . ☐ ☒ ☐

*The district provided a District Enrollment and ADA Projections Worksheet for 2022-23 budget development, which includes only one year (2021-22) of enrollment and ADA history. The worksheet's data does not align with either the enrollment data from the district's 2021-22 California Longitudinal Pupil Achievement Data System (CALPADS) information or the ADA data from the district's 2021-22 P2 report. No other evidence was provided to show that the district tracks historical enrollment and ADA data.*

- 10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels? . . . . . ☐ ☒ ☐

*Only one district employee is responsible for maintaining enrollment and attendance data. No evidence was provided to show that staff reconciles and reviews the attendance data before submitting it to the county office for entry into the state's web-based attendance reporting software, Principal Apportionment Data Collection web application. The district's 2018-19, 2019-20 and 2020-21 audit reports included findings regarding student attendance, the latter and last of which included questioned costs.*

- 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 provided a District Enrollment and ADA Projections Worksheet for 2022-23 budget development, which includes enrollment projections for the current and two subsequent fiscal years. However, it does not appear that the district used industry-standard methods to develop these projections. For example, with the exception of grade three, the district projected that transitional kindergarten through grade eight enrollment would be the same year-over-year in each succeeding grade. The district projected that the grade three cohort would increase by nine students in 2022-23. An industry-standard method for enrollment projections would use local demographic*

information, such as county birth rate statistics, for transitional kindergarten and kindergarten enrollment, and historical progression data for enrollment in all other grades.

- 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? . . . . . ☐ ☒ ☐

*Only one district employee is responsible for the CALPADS preparation, validation and reporting processes. Staff indicated that the district's special education data is the only data subject to review by another individual before it is submitted. The district's 2018-19 and 2020-21 audit reports each included a finding and questioned costs related to the district's unduplicated pupil count.*

- 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? . . . . . ☐ ☒ ☐

*The district invests its special reserve fund for capital outlay projects (fund 40) cash balance with LAIF. District staff indicated that a paving project was completed in 2022-23 for approximately \$200,000, that funds were to be transferred from LAIF to fund 40, and that fund 40 was to be used to pay for the project. The district's financial reports show that the funds were instead transferred to deferred maintenance (fund 14), then budgeted as revenue and expended from fund 14. However, as of April 2023, the fund 40 balance had not been reduced by a like amount, causing an overstatement of the balance.*

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

*No evidence was provided to show that the district uses its facilities fully in accordance with OPSC loading standards. However, the district's March 30, 2023 enrollment report shows that its class sizes range from 15 to 21 students, which are low compared to the OPSC's loading standards, as shown below.*

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

*Source: State Allocation Board Program Review Subcommittee-School Facility Program Guide October 24, 2012.*

*In addition to a permanent school building, staff indicated that the district uses five portable buildings for various purposes, including serving as a library, hosting the after-school program, providing storage, and housing staff who travel among schools and local educational agencies.*

- 11.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget? . . . . . ☐ ☒ ☐

*District staff indicated that the budget for facility needs is rolled over from the prior fiscal year and then increased during the year as needed. The district does not use any planning tools, such as a facilities master plan or documented preventive and deferred maintenance schedules, to project its facility needs.*

- 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? . . . . . ☐ ☒ ☐

*District staff indicated that facilities inspections are conducted; however, no annual inspection reports were provided as evidence of this practice.*

- 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 lacks a long-range facilities master plan.*

## 12. Fund Balance and Reserve for Economic Uncertainty Yes No N/A

- 12.1 Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including 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? . . . . . ☐ ☒ ☐

*Based on the district's projected ADA, the district's minimum reserve for economic uncertainty cannot be less than the greater of \$75,000 or 5% of the district's total expenditures and other financing uses. The 2022-23 adopted budget shows that the district will meet this requirement in the current year but will fail to do so in the two subsequent years, as shown below.*

| Fiscal Year                                                      | 2022-23      | 2023-24       | 2024-25         |
|------------------------------------------------------------------|--------------|---------------|-----------------|
| Reserve Percent Standard                                         | 5%           | 5%            | 5%              |
| Reserve Standard in Dollars                                      | \$157,374.97 | \$146,313.40  | \$147,282.95    |
| Available Reserves                                               | \$322,385.72 | -\$555,801.00 | -\$1,334,061.82 |
| Total Available Reserves by Percent                              | 10.24%       | -18.99%       | -45.29%         |
| Reserve Standard Met/Not Met                                     | Met          | Not Met       | Not Met         |
| Difference to Meet Reserve<br>(amount short of reserve standard) | \$0.00       | \$702,144.40  | \$1,481,344.77  |

- 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's 2022-23 adopted budget MYP lacks a board-approved plan to restore its minimum reserve for economic uncertainty. However, staff indicated that the district was working with the county office to identify budget reductions to increase the available reserves.*

- 12.4 Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? . . . . . ☐ ☒ ☐

*The district's unrestricted fund balance is projected to decrease in the two subsequent fiscal years, to -\$555,801.00 and -\$1,332,503.41 in 2023-24 and 2024-25, respectively.*

- 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? . . . . ☐ ☒ ☐

*According to the district's 2022-23 adopted budget, the unrestricted general fund balance is insufficient, preventing the district from assigning or committing reserves for any purpose in 2023-24 and 2024-25.*

*Because of the district's failure to respond to requests for audit documents, its 2020-21 audit report was not finalized until February 2, 2023. This was described in Finding 2021-001, which indicated that the auditor found it challenging to complete the audit timely because it was "difficult getting a response from management in obtaining documents, to perform testing." This finding was also included in the district's 2019-20 audit report.*

*The 2020-21 audit report included three findings regarding unduplicated pupil counts, student attendance, and minimum day requirements that will further reduce the district's LCFF funding by a total of \$187,324. County office staff indicated that they were working with the EAAP and the CDE on the district's behalf to obtain a multiyear repayment plan. The county office plans to include this liability in future multiyear report documents.*

*The 2020-21 audit report also included a finding that indicates the district failed to complete the final report required for the \$220,132 grant it was awarded under the Proposition 39 California Clean Energy Jobs Act. The district has expended \$196,797 of the grant and has \$23,335 in remaining funds, but it may be required to return the full \$220,132 to the state.*

*The 2019-20 and 2020-21 audit reports also included findings that indicate the district was not in compliance with EPA fund requirements. Specifically, the district's board must approve the use of EPA funds at an open public meeting before the district expends the funds, and the district's website must report the amount of EPA revenues received and how they were used. Failure to adhere to these legal requirements may result in the loss of EPA funding.*

*The district's 2021-22 audit is in process. Because the 2020-21 audit report was only recently completed, any issues identified in the report may have continued to occur during the 2021-22 and 2022-23 fiscal years. Additional issues may have yet to be identified.*

| 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? . . . .                                                                                                                                          | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| 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? . . .                                             | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| 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? . .                                            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| 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)? . . . . . | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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? . . . .                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |

- 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? . . . . . ☐ ☒ ☐

*Although the district expends restricted dollars within the required timelines, the district's failure to file timely reports has resulted in a loss of funding for multiple programs, including \$71,500 for the Siskiyou Afterschool for Everyone (SAFE) program in 2020-21 and \$220,132 for the Proposition 39 California Clean Energy Jobs Act.*

- 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? . . . . . ☐ ☒ ☐

*Although staff indicated that the district charges indirect costs to all programs, as noted in standard 20.4 below, the district has not routinely budgeted and charged the full allowable indirect cost rate to special education. Additionally, the 2022-23 adopted budget does not budget allowable indirect costs to the cafeteria special revenue fund in either the 2021-22 estimated actual year or 2022-23 budget year.*

#### 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? . . . . . ☐ ☒ ☐

*The district does not use its financial system to help it make informed decisions. The superintendent/principal does not have access to the financial system. The business manager is the only district employee with access to the system.*

*Instead of using data from the financial system, the superintendent/principal relies on state and federal websites to determine if the district has sufficient restricted program funding available. However, the district does not file its expenditure and reimbursement reports timely, so the information on these websites is outdated and shows more restricted program funding than is actually available.*

- 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? . . . . . ☐ ☒ ☐

*At the time of fieldwork, the district's 2021-22 audit had not been completed, so its findings are unknown. FCMAT reviewed the 2018-19, 2019-20 and 2020-21 audit reports for evidence that the district accurately identifies students who are eligible for free or reduced-price meals, English learners and foster youth.*

*The district's 2018-19 audit report contained a finding that the district overreported by two the number of students eligible for free or reduced-priced meals. The 2019-20 audit report updated this finding's status to "implemented," which indicated the issue had been resolved. However, the 2020-21 audit report included a new finding that the district had incorrectly recorded the status of two students for free or reduced-priced meals. The 2020-21 finding resulted in an overidentification by one of the number of students in the LCFF unduplicated pupil count.*

- 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? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                              | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? . . . . .                                                                                                                                                                                                                                                                                                                                              | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| <p><i>No such employment actions have occurred within the past year. The business manager is the only district position with access to the district's financial system. The district lacks a process to annually review and update access to its financial system, and no evidence was provided to show that the district reviews access and authorization controls at least annually.</i></p>                                                                                                                                                                      |                          |                          |                          |
| 15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                          |                          |
| • Accounts payable (AP) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| <p><i>The district does not properly segregate, supervise or monitor duties in the accounts payable process. The business manager is responsible for either entering all invoices in the district's financial system or submitting them to the county office for payment. She is also responsible for receiving the checks after processing and distributing them to the vendors. This workflow provides a single individual with access to the complete accounts payable process and places the district at risk for unauthorized transactions.</i></p>            |                          |                          |                          |
| <p><i>When used consistently, requisitions and purchase orders can strengthen the system of internal control for disbursements such as accounts payable. Staff indicated that the district authorizes purchases with purchase orders or requisitions. However, the district's 2018-19, 2019-20 and 2020-21 audit reports indicated that in some cases purchase orders are either generated after the order date or not generated at all. See the "Purchasing and contracts" item below for additional information.</i></p>                                          |                          |                          |                          |
| <p><i>Staff indicated that the district does not process accounts payable payments timely. The 2019-20 and 2020-21 audit reports indicated that the district processes payments without supporting documents. The 2020-21 audit report also indicated that the district has incurred some late payment fees.</i></p>                                                                                                                                                                                                                                                |                          |                          |                          |
| <p><i>The district's standard accounts payable process is to collect supporting documents, enter the payments into its financial system in a batch, then submit the batch to the county office for payment. The batch payment detail is included as an item in the board's consent calendar either before or after it has been submitted to the county office for processing. The county office sends the checks to the business manager, and she either mails or hand delivers the checks to the vendors.</i></p>                                                  |                          |                          |                          |
| <p><i>The business manager communicated to the superintendent/principal that she had insufficient time to process accounts payable in addition to her other duties. Subsequently, during the middle of the 2022-23 financial year, the district contracted with the county office to provide additional support for accounts payable. (However, district staff stated that the additional support has not saved them much time, because collecting and preparing the supporting documents is the most time-consuming part of the accounts payable process.)</i></p> |                          |                          |                          |
| <p><i>Under the new accounts payable process, the district collects and organizes the supporting documents and then either mails or delivers it directly to the county office. The county office reviews the documents for authorization, accuracy and completeness, enters the payments into the district's financial system in a batch, and processes the</i></p>                                                                                                                                                                                                 |                          |                          |                          |

batch to generate checks. The checks are then returned to the district for distribution. Including additional support from the county office in the accounts payable process could help to improve the system of internal control and safeguard the district from unauthorized transactions.

The county office cannot process timely payments without the necessary documentation and/or information on the accounts to record the disbursement. County office staff indicated that multiple requests for additional information to process accounts payable payments have gone unanswered, resulting in processing delays or failures. Neither the district nor the county office should process payments without appropriate authorization and documentation. The district should generate and collect supporting documents throughout the authorization and receiving processes. Processing payments without the proper documentation increases the district's risk of unauthorized transactions.

Four additional items related to accounts payable increase the district's risk for fraud or error, as noted below:

- The district has a credit card balance at the maximum limit that is incurring monthly interest. Interviews indicated that the district is only able to pay the minimum payment each month because it is missing information and documentation.
  - The business manager is responsible for reviewing and approving her supervisor's (the superintendent/principal's) purchases. Instead, one of the district's board members should review and sign the superintendent/principal's supporting documents to approve his purchases.
  - The district's 2020-21 audit report indicated that accounts payable entries generated at the end of the year are not properly reconciled within the general ledger. Over- and underpayments are not reconciled, in some cases remaining in the account for several years.
  - The district's 2020-21 audit indicated that expenditures are made directly from the revolving account. The district indicated that it was a single occurrence and would not be repeated. However, staff indicated that in 2022-23, the district both deposited and directly expended funds from a local pass-through account. This is an improper use of a local pass-through account, and the district lacks a system to prevent and identify such issues.
- Accounts receivable (AR) . . . . . ☐ ✓ ☐

The district does not properly segregate, supervise or monitor duties in the accounts receivable process. The business manager is solely responsible for receiving payments, generating deposits, and reconciling bank accounts not held by the county treasury. She does not maintain a mail log or receipt book to reconcile the payments

received and deposited. This workflow provides a single individual with access to the complete accounts receivable process, placing the assets maintained in the district's bank accounts and the district's receipts at risk and creating additional cash flow risks.

A separate staff member should receive and open all mail, and they should keep a log of any receipts received by mail. This log should be reconciled regularly against the deposits made by the business manager. Moreover, bank accounts should be reconciled monthly and verified by another individual.

Two additional items related to accounts receivable increase the district's risk of fraud or error, as noted below:

- The district's 2020-21 audit report indicated that accounts receivable entries generated at the end of the year are not properly reconciled with the general ledger. Over- and underreceipt values are not reconciled, in some cases remaining in the account for several years.
- Staff indicated that the district deposited a \$25,000 payment to a local pass-through account, rather than to the county treasury. This is an improper use of a local pass-through account, and the district lacks a system to prevent or identify such issues.

- Purchasing and contracts. . . . . ☐ ✓ ☐

The district does not properly segregate, supervise or monitor duties in the purchasing and contracts process. The business manager is solely responsible for setting up vendors and creating purchase orders in the district's financial system. Ordered items are then received in the office by various staff, including the business manager. This workflow provides a single individual with access to the complete purchasing and receiving process, placing the district at risk for unauthorized transactions.

Two additional items related to purchasing and contract activities increase the district's risk of fraud or error, as noted below:

- The district's 2020-21 audit indicated that some purchase orders are generated after the order date, while others are not generated at all.
- Staff indicated that two expenditures in 2022-23 have occurred directly from the improper use of a pass-through account and are not recorded in the district's financial system. One such expenditure included the board-approved purchase of a travel trailer, but at the time of fieldwork, payment was being withheld by the county office pending additional documents. The second expenditure was to reimburse the superintendent/principal for trailer park improvements, which was never approved by the board.

- Payroll. . . . . ☐ ✓ ☐

The district's payroll process does not include proper segregation, supervision or monitoring of duties. Under this process, the business manager is solely responsible for: adding employees to the district's financial system; developing employees' salary budget values; communicating these salary budget values to the county office via the payroll spreadsheet; and entering payroll into the district's financial system for processing. The county office then audits the district's payroll records to confirm that statutory benefits will be correctly calculated, before processing payroll and generating employees' checks and pay stubs. The checks and pay stubs are finally returned

to the business manager for distribution to employees. This workflow provides a single individual with access to the complete hiring and payroll process, placing the district at risk for unauthorized payroll transactions.

The business manager communicated to the superintendent/principal that she had insufficient time to process payroll in addition to her other duties. Subsequently, during the middle of the 2022-23 fiscal year, the district contracted with the county office to provide additional support to process payroll. Including additional support from the county office in the payroll process could help to improve the system of internal control and safeguard the district from unauthorized transactions. However, the business manager has continued entering payroll information directly into the financial system for processing, rather than submitting it to the county office for processing.

One additional item related to payroll increases the district's risk of fraud or error, as noted below:

- The 2019-20 and 2020-21 audit reports indicated that the district does not create contracts or work agreements to specify the payroll terms for each employee. Such documents could be used by a second individual to verify payroll entries and reconcile the budget to payroll.

- Human resources (i.e., duties relative to position control and payroll processes) . . . . . ☐ ✓ ☐

The district does not properly segregate, supervise or monitor duties in the human resources process. See the "Payroll" item above for additional information.

- 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? . . . . . ☐ ✓ ☐

Interviews indicated that the balance sheet accounts are reconciled annually and that the accounts payables and receivables are maintained throughout the year. However, the 2020-21 audit report indicated that the district does not consistently clear receivables and payables, in some cases creating a carryover balance for several years.

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

According to the county office's due dates and timelines calendar, the district's 2021-22 unaudited actuals report was due by September 15, 2022. However, this report has a printed date of November 4, 2022, and the board meeting minutes indicate that the report was not approved until November 17, 2022.

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

No evidence was provided to show that the district has processes or 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 an established process to collect reports of possible fraud or to guide follow 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? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.2                         | Does the district have a superintendent who has been with the district as superintendent for more than two years? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.3                         | Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <input type="checkbox"/> | <input type="checkbox"/> | ✓                        |
| 16.4                         | Is training on financial management and budget provided to site and department administrators who are responsible for budget management? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
|                              | <i>The superintendent/principal is the district's only administrator. No evidence was provided to show that the superintendent/principal receives routine training on financial management and the budget, nor does he have online access to the district's budget.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                          |                          |
| 16.5                         | Does the governing board adopt and revise policies and administrative regulations annually? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
|                              | <i>No evidence was provided to show that the district has a process to review and revise policies and administrative regulations annually, but the district updated all board policies and administrative regulations with the California School Boards Association's (CSBA's) GAMUT policy service in November 2022. However, a comparison of the district's board policy manual to the CSBA's sample district policy manual indicated that some of the district's policies and regulations are already outdated, and more recent CSBA sample documents are available. For example, the district's Board Policy and Administrative Regulation 0450, Comprehensive Safety Plan, was updated in November 2022, but the CSBA last updated its samples in December 2022.</i> |                          |                          |                          |
| 16.6                         | Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
|                              | <i>The district lacks a process to effectively communicate newly adopted or revised board policies and administrative regulations to employees.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                          |                          |
| 16.7                         | Do all board members attend training on the budget and governance at least every two years? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
|                              | <i>No evidence was provided to show that all board members attend training on governance and the budget at least every two years.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                          |                          |
| 16.8                         | Is the superintendent's evaluation performed according to the terms of the contract? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
|                              | <i>The superintendent/principal's employment contract states that the board is to evaluate his performance before May 1 of each school year. The June 10, 2021 board closed session agenda indicated that the superintendent/principal was to be evaluated, and the board meeting minutes show that the board approved a new contract. However, no evidence was provided to show that the board has evaluated the superintendent since 2021.</i>                                                                                                                                                                                                                                                                                                                          |                          |                          |                          |
| 17. Multiyear Projections    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Yes                      | No                       | N/A                      |
| 17.1                         | Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.2                         | To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |

- 17.3 Does the district use its most current multiyear projection in making financial decisions? . . . ☐ ☒ ☐  
*The district does not reference its MYP when making financial decisions. The county office prepares the district's MYP at each required reporting period, but the district does not request updates between reporting periods.*

- 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? . . . ☐ ☐ ☒
- 18.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years? . . . ☐ ☐ ☒
- 18.3 If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities? . . . ☐ ☐ ☒
- 18.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues? . . . ☐ ☐ ☒

## 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? . . . ☐ ☒ ☐  
*The district does not use staffing ratios when analyzing or adjusting classified or certificated staffing.*
- 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? . . . ☐ ☒ ☐  
*The district does not reconcile budget, payroll and position control, and no evidence was provided to show that the district has recently performed a reconciliation. In addition, FCMAT sampled the district's 2022-23 salary and benefit account code activity and found an account code with a \$0.00 budget setup but a paid general ledger activity of \$13,939.*
- 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)? . . . . . ☐ ✓ ☐
- SELPA staff indicated that the district uses a special circumstance instructional assistance (SCIA) process to determine whether to offer 1-to-1 instructional assistance. However, no evidence was provided to show that the district uses appropriate tools to help it make informed decisions regarding the provision of additional services, such as transportation or an extended school year, 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)? . . . . . ☐ ✓ ☐
- The district's Comparative Budget Report, dated April 4, 2023, shows that the district does not routinely budget or charge the full allowable indirect cost rate to special education. This results in an undervaluation of the true cost of the program. The report also shows that the district did not charge certificated salaries to special education (resource 6500) in 2021-22.*
- 20.5 Is the district's contribution rate to special education at or below the statewide average contribution rate? . . . . . ✓ ☐ ☐
- 20.6 Is the district's rate of identification of students as eligible for special education at or below the countywide and statewide average rates? . . . . . ☐ ✓ ☐
- The district's 2022-23 special education identification rate of 12.96% is higher than the countywide rate of 11.13% but lower than the statewide rate of 13.07%.*
- 20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period? . . . . . ☐ ✓ ☐
- No evidence was provided to show that the district analyzes whether it will meet the maintenance of effort requirement at each interim reporting period.*

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**Risk Score, 20 numbered sections only:**
**58.2%****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*

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**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.)*

# **Appendices**

## **Appendix A — Study Agreement**

## **Appendix B — Modified Study Agreement**

# Appendix A — Study Agreement



## FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT February 15, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Happy Camp 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 of the county superintendent's downgrade of the district's 2021-22 second interim report certification per Education Code (EC) 42131. 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 schools 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:

- |                         |                           |
|-------------------------|---------------------------|
| <b>A. Andrea Dodson</b> | <b><i>FCMAT Staff</i></b> |
| <b>B. Diane Branham</b> | <b><i>FCMAT Staff</i></b> |

### 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 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 Happy Camp 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-in-place 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 2, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

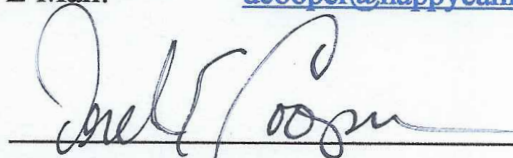
- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally 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: Derek Cooper  
 Telephone: (530) 493-2267  
 E-Mail: [dcooper@happycamp.k12.ca.us](mailto:dcooper@happycamp.k12.ca.us)



2/17/23

Derek Cooper, Superintendent  
 Happy Camp Union Elementary School District

Date



2/17/23

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

Date

# Appendix B – Modified Study Agreement



## FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM REVISED STUDY AGREEMENT March 17, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Happy Camp 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 a lack of going concern designation from the county superintendent of schools. 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 schools 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:

- |                         |                    |
|-------------------------|--------------------|
| <i>A. Andrea Dodson</i> | <i>FCMAT Staff</i> |
| <i>B. Diane Branham</i> | <i>FCMAT Staff</i> |

### **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.
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- 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 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 Happy Camp 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-in-place 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 2, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

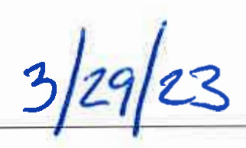
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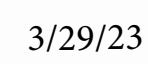
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Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

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 \_\_\_\_\_  
 Derek Cooper, Superintendent  
 Happy Camp Union Elementary School District

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