



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

April 9, 2025



Mountain Empire Unified School District

Michael H. Fine
Chief Executive Officer

April 9, 2025

Patrick Keeley, Ed.D., Superintendent
Mountain Empire Unified School District
3291 Buckman Springs Road
Pine Valley, CA 91962

Dear Superintendent Keeley:

In February 2025, the Mountain Empire Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

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

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

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

Sincerely,



Michael H. Fine
Chief Executive Officer

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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

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

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policy-makers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Background

The Mountain Empire Unified School District is governed by a seven-member board and spans more than 660 square miles in the southernmost area of California, serving the communities of Campo, Descanso, Boulevard, Jacumba, Pine Valley, Potrero and Mount Laguna. The district serves 1,743 noncharter school students from preschool through grade 12. The district operates two state toddler programs, three state preschool programs, one Head Start preschool program; four elementary schools, pre-K through sixth grade; one junior high school, seventh through eighth grade; one high school, seventh through 12th grade; an alternative education program, an adult education program, and has authorized five charter schools. The district's estimated unduplicated pupil percentage for 2024-25 is 66%.

The district has been deficit spending for the last three years. However, prior to the receipt of COVID-19 dollars, the district had already started a deficit-spending pattern and was projecting negative ending fund balance for future years during the interim and unaudited actuals reports from 2019-20. While the district can meet its required minimum reserve for economic uncertainty in the current year, it will require expenditure reductions in the following two fiscal years to maintain a positive fund balance and the minimum reserve.

The district's 2024-25 first interim financial report, certified under EC 42130 and 42131, marked its third consecutive qualified certification. In accordance with the state budget act provisions, FCMAT performed a fiscal health risk analysis to determine the district's level of risk of insolvency, using the financial data from the 2024-2025 first interim report as the basis for the analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Mountain Empire Unified School District on February 6, 2025, and a study team visited the district on March 18 and 19 to conduct interviews, collect data and review documents. After the fieldwork, the study team continued to analyze the gathered documents and data. This report summarizes the team's findings and conclusions from 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 and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

Study Team

The team was composed of the following members:

Robbie Montalbano, CFE
FCMAT Intervention Specialist

Marcus Wirowek, CFE
FCMAT Intervention Specialist

Leonel Martínez
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For TK-12 School Districts

Date(s) of fieldwork: March 18-19, 2025

School District: Mountain Empire Unified School District

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Summary

The district faces unique challenges as a small, remote district on the U.S.-Mexico border, including limited funding for facility maintenance, difficulty attracting and retaining staff, and staffing constraints due to geographic isolation. Long travel times to and from sites increase transportation costs and further limit the amount of maintenance and repair work that can be completed each day with a small staff.

From 2016-17 through 2023-24, the district experienced moderate enrollment growth. However, for 2024-25, enrollment has dropped by approximately 126 students. While the district typically projects flat growth, it should closely monitor enrollment data to identify potential trends and underlying causes for this decline.

School districts are funded based on average daily attendance rather than total enrollment. Before the COVID-19 pandemic, the district maintained an attendance rate of at least 90%, averaging 94.7% from 2009-10 through 2019-20. Since returning to in-person instruction, attendance rates initially declined to 88.95% in 2021-22 and 87.85% in 2022-23. However, the rate rebounded to 94.61% in 2023-24. The district should continue monitoring attendance closely to maintain this improvement.

Even before receiving federal and state COVID-19 relief funds, the district had already entered a deficit spending pattern and was projecting a negative ending fund balance in 2022-23. The influx of these funds allowed the district to maintain staffing and then current spending without a defined plan to reduce spending once the funding expired. With the exhaustion of COVID-19 relief funds, the district is experiencing ongoing deficit spending in its unrestricted general fund, with projected deficits of -\$2.4 million in 2024-25, -\$1.6 million in 2025-26, and -\$1.4 million in 2026-27. As a result, the ending fund balance is expected to be negative in 2025-26 by -\$169,000 and worsen to -\$1.56 million in 2026-27.

To address this, on December 17, 2024, the governing board passed resolution 24-25-14, "Resolution to Identify the Amount of Budget Reductions Needed in 2025-26 and 2026-27." The resolution stated in part, "... if the fiscal condition does not improve, the district will implement at least \$1,592,872 in expenditure reductions in 2025-26 and \$0.00 in reductions in 2026-27."

The district has several weaknesses in its internal control system related to financial management and oversight including access and authorization controls, the invoice approval process, and separation of duties issues. These issues highlight the need for stronger financial controls, improved documentation, and enhanced fraud prevention measures to ensure financial integrity and compliance.

District Fiscal Solvency Risk Level: High

About the Analysis

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

The FHRA consists of 20 sections, each including specific questions related to essential functions and processes. These sections and questions are based on FCMAT's extensive work since the inception of Assembly Bill 1200 in 1991 and represent common indicators of fiscal risk or potential insolvency observed in school districts that have neared insolvency and required external assistance. Each analysis section affects fiscal stability, and neglecting any of these areas will ultimately lead to the district's fiscal failure. The analysis aims to determine the district's level of risk at the time of evaluation.

A higher number of "No" responses in the analysis indicates an increased risk of insolvency or other fiscal issues for the district. Not all sections or questions carry equal weight; some areas pose a higher risk and thus have a greater impact on the district's fiscal stability. To help the district, narratives are provided for each "No" response, explaining the reasoning behind the response and outlining the actions needed to achieve a "Yes" in the future.

Identifying issues early is the key to maintaining fiscal health. Diligent planning allows school districts to better understand their financial objectives and implement strategies that sustain fiscal efficiency and long-term solvency. School districts should consider completing the FHRA annually to assess their fiscal health and track their progress.

Areas of High Risk

The following sections on this page and the next two pages repeat certain questions and answers found in the "Fiscal Health Risk Analysis Questions" section later in this report. These sections identify conditions that create a significant risk of fiscal insolvency. A "No" response to any of these questions will supersede all other scoring and elevate the district's overall risk level.

Budget and Fiscal Status: Is district currently *without* 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"/>

Material Weakness Questions

	Yes	No	N/A
2.5 Has the district's budget been approved unconditionally by September 15 th by the county superintendent of schools 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 EC 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district 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 meet 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 EC 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 complete disclosure documents that show the impact on its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?	✓	<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 sufficient 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"/>
10.5	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?	<input type="checkbox"/>	✓	<input type="checkbox"/>
11.2	Does the district have sufficient and available resources 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 uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u> ?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainties 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 uncertainties, does the district's multiyear 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 (including substitutes, overtime, stipends, and employer-paid benefits) in position control?	<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 and are provided for information only.

1.	Annual Independent Audit Report	0.3%
2.	Budget Development and Adoption	1.4%
3.	Budget Monitoring and Updates	0.0%
4.	Cash Management	0.0%
5.	Charter Schools	0.2%
6.	Collective Bargaining Agreements	2.2%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	2.6%
9.	Employee Benefits	0.0%
10.	Enrollment and Attendance	3.4%
11.	Facilities	0.3%
12.	Fund Balance and Reserve for Economic Uncertainty	3.0%
13.	General Fund - Current Year	1.2%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	5.6%
16.	Leadership and Stability	2.8%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.0%
20.	Special Education	1.7%
Score		28.7%

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

	Yes	No	N/A
1.1 Has the district recorded findings from the most recent and prior two years' audits without negatively affecting its fiscal health?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?	<input type="checkbox"/>	✓	<input type="checkbox"/>

Education Code (EC) 41020 states in part,

Not later than December 15, a report of each local educational agency audit for the preceding fiscal year shall be filed with the county superintendent of schools of the county in which the local educational agency is located, the department, and the Controller.

Education Code Section 41020.2(a) (1) states:

The county superintendent of schools may, after consultation with the school district governing board and the auditors under contract to the district, and with the consent of the Controller's office and the Superintendent of Public Instruction, grant an appropriate extension for the completion of the audit and the filing of the audited financial statements. An extension does not waive the legal deadline but permits the filing of the report after the deadline.

The district requested extensions for fiscal years 2021-22, 2022-23 and 2023-24.

Education Code (EC) 41020.3 (a) states in part:

By January 31 of each year, the governing body of each local educational agency shall review, at a public meeting, the annual audit of the local educational agency for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or management letter issue.

The audit for 2021-2022 was presented to the board on February 15, 2023, and the audit for 2022-2023 was presented on April 9, 2024. The audit for 2023-2024 was presented to the board on February 11, 2025.

1.3 Were the district's most recent and prior two audit reports free of findings of material weakness?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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According to the 2021-22 audit report, the district received a finding for "Internal Controls Over Associated Student Body Activities" and a recommendation to:

Provide in service training to the ASB clerk, advisors and other key personnel involved in daily student body account operations. Ensure snack bar sales and other fundraising sources have proper cash tally sheets that reconcile the cash collected to the products or items sold. In addition, require all invoices to be defaced and stamped

paid in order to prevent duplicate payment. Implement procedures with adequate controls for checking out the cash box and reconciling the sales to cash on hand timely.

According to the 2022-23 audit report, the district received a finding for “Internal Controls over Year End Close,” and received a recommendation to “... ensure accurate reporting of district financial statements in future periods.” However, per the 2023-24 audit report, the recommendation was implemented.

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

2. Budget Development and Adoption

	Yes	No	N/A
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county superintendent of schools’ 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 reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.4 Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Has the district’s budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years?	✓	<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)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
During interviews, some staff indicated that they had almost no input on their budget while others stated they actively participated in developing their budgets. The district does not have a budget advisory committee, and the Local Control and Accountability Plan development process serves as the avenue for input to the budget.			
2.7 Does the district budget and expend restricted funds before unrestricted funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.8 Have the district’s Local Control and Accountability Plan (LCAP) and budget been adopted within the statutory timelines established by EC 42103 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 prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.9 Has the district refrained from including carryover funds in its adopted budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.10 Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.11 Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district’s unrestricted general fund?	<input type="checkbox"/>	✓	<input type="checkbox"/>
Staff indicated during interviews that grant requests and acceptance are discussed in detail during cabinet meetings; however, there is no documented standard procedure.			

- 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 and departments responsible for completing them? ☐ ☒ ☐
- The district does not have a detailed budget calendar to effectively organize and guide its budget development process.

3. Budget Monitoring and Updates

- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|--------------------------|
| 3.1 Are actual revenues and expenses consistent with the most current budget? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.2 Are budget revisions posted in the financial system at each interim reporting period, at a minimum? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum? | <input checked="" type="checkbox"/> | <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 EC 42142? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.5 Do the district's responses fully explain the variances identified in the <u>SACS Criteria and Standards Review form</u> ? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.6 Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.8 Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.9 For the most recent and two prior fiscal years, have the district's interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4. Cash Management

- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|--------------------------|
| 4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's (COE) reports monthly? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.2 Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner? | <input checked="" type="checkbox"/> | <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 checked="" type="checkbox"/> | <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 meet its cash flow needs for the current and subsequent year? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.6	If the district uses interfund borrowing, is it complying with EC 42603?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

5. Charter Schools

		Yes	No	N/A
5.1	Does the district have a board policy, memorandum of understanding (MOU), or other written document(s) regarding charter oversight?	<input checked="" type="checkbox"/>	<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 EC 47604.32?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Education Code 47604.32 states, in part:

- (a) Each chartering authority, in addition to any other duties imposed by this part, shall do all of the following with respect to each charter school under its authority:
 - (1) Identify at least one staff member as a contact person for the charter school.
 - (2) Visit each charter school at least annually.
 - (3) Ensure that each charter school under its authority complies with all reports required of charter schools by law, including the local control and accountability plan and annual update to the local control and accountability plan required pursuant to Section 47606.5.
 - (4) Monitor the fiscal condition of each charter school under its authority.
 - (5) Provide timely notification to the department if any of the following circumstances occur or will occur with regard to a charter school for which it is the chartering authority:
 - (A) A renewal of the charter is granted or denied.
 - (B) The charter is revoked.
 - (C) The charter school will cease operation for any reason.

While the district described the activities performed concerning oversight of its charter schools, no evidence was submitted to FCMAT to show compliance with EC 47604.32.

5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 5.5 Does the district monitor charter school audits for timeliness, completeness, and exceptions?** ☐ ☒ ☐

While staff indicated they monitor charter school audits for timeliness, completeness, and exceptions, no evidence of these activities was provided to FCMAT.

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? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.2 Has the district settled with all its bargaining units for the current year? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district is still in negotiations as of the date of fieldwork. | | | |
| 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.4 Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.5 In the current and prior two fiscal years, has the total cost of the district's bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

While 2023-24 settlements for certificated and classified employee groups were below the funded COLA, 2022-23 settlements exceeded it. These settlements are in addition to annual step and column movements for both bargaining units, which the district estimates are equal to 2.5% each.

Table 1 below compares the funded COLA with the settlement increases for certificated and classified bargaining units and salary adjustments for confidential/management staff.

Table 1. Funded COLA and Settlement Percentages, 2022-23 – 2024-25

Fiscal Year	Funded COLA	Certificated Settlement	Classified Settlement
2022-23	6.56%	10.00%	8.12%
2023-24	8.22%	4.00%	3.44%

Sources: Public disclosures for certificated and classified bargaining units. 2024-25 First Interim Criteria and Standards

- 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 Codes 3540.2 and 3547.5, and EC 42142?** ☐ ☒ ☐

The district complied with the public disclosure requirements in fiscal years 2021-22 and 2022-23, but it failed to meet the public disclosure requirements for the agreements reached in 2023-24. In addition, no public disclosure forms

for memorandums of understanding (MOUs) that were approved by the district's governing board on March 11, 2025 were completed. The district indicated it will be taking the disclosures to their board for approval at its next meeting on April 15, 2025.

- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval? ☒ ☐ ☐
- 6.9 Is the governing board's action consistent with the superintendent's and CBO's certification? ☒ ☐ ☐

7. Contributions and Transfers

- | | Yes | No | N/A |
|--|--------------------------|-------------------------------------|--------------------------|
| 7.1 Does the district have an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

The district does not have an active, board-approved plan to eliminate, reduce or control contributions from its unrestricted general fund to restricted programs.

Table 2 below reflects contributions to restricted programs for the fiscal years 2022-23 – 2024-25.

Table 2. Contributions to restricted programs, 2022-23 – 2024-25

Contributions to Restricted Programs	2022-23	2023-24	2024-25 projection
Title I	\$33,614	\$0	\$7,486
Head Start	\$20,181	\$8,512	\$0
Special Education	\$1,807,585	\$999,906	\$3,718,312
Special Education – Workability		\$31,998	\$0
Special Education – Mental Health	\$0	\$681,383	\$549,666
Special Education – Preschool	\$0	\$91,192	\$102,244
Before school program	\$0	\$3,249	\$23,118
Agricultural Vocational Education	\$4,389	\$0	\$0
Total contributions to restricted programs	\$1,865,770	\$1,816,241	\$4,400,826

Source: District provided documents. Excludes required contributions to Routine Restricted Maintenance program and one-time district matching funds for grants.

- 7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance? ☐ ☐ ☒

- 7.3** If any contributions or 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? ☐ ☒ ☐

As an example, and as illustrated below, the district has significantly overbudgeted for special education costs (Resource 6500) in each of the last two years. The current budget for contribution to the program is more than the actual contribution to the program for the last two years, combined.

Table 3 below shows a comparison of budgeted versus actual contributions to the special education program (Resource 6500) for the fiscal years 2022-23 – 2024-25. FCMAT has selected this program to illustrate the year-over-year comparison.

Table 3. Budgeted versus actual contributions to the special education program (Resource 6500), 2022-23 – 2024-25

Fiscal Year	Budgeted Contribution	Actual Contribution	Variance
2022-23	\$2,951,972	\$1,807,585	\$1,144,387
2023-24	\$3,688,061	\$999,906	\$2,688,155
2024-25	\$3,718,312	TBD*	TBD*

*TBD: To be determined at the close of the 2024-25 fiscal year.

Source: District-provided documents.

8. Deficit Spending (Unrestricted General Fund)

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|--------------------------|
| 8.1 Is the district avoiding deficit spending in the current fiscal year? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| As of the 2024-25 first interim report, the district is projecting deficit spending of approximately -\$2.4 million in 2024-25. | | | |
| 8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| As of the 2024-25 first interim report, the district is projecting deficit spending of approximately -\$1.6 million in 2025-26 and -\$1.4 million in 2026-27. | | | |
| 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 checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- 8.4** Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports? ☐ ☒ ☐

The district has increased deficit spending over the past two years from no deficit spending in 2022-23 to -\$105,707 in 2023-24.

9. Employee Benefits

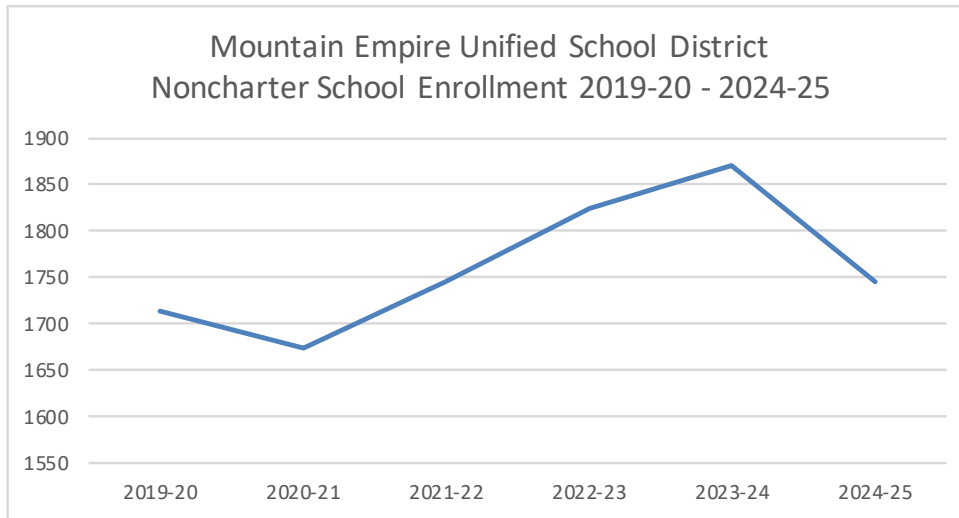
- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|--------------------------|
| 9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.2 Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district's unrestricted general fund revenues? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.3 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? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.4 Does the district track, reconcile and report employees' compensated leave balances? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.5 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

The district declined by 126 students in 2024-25 as shown below in Figure 1.

Figure 1. A line graph showing that the district's noncharter school enrollment from 2019-20 through 2024-25 and showing enrollment has decreased by 126 students, from 1,871 in 2023-24 to an estimated 1,745 in 2024-25.



Source: Adapted from EdData.

Note: 2024-25 enrollment based on district CALPADS report for 2024-25.

- | | | | | |
|-------------|--|--------------------------|--------------------------|--------------------------|
| 10.2 | Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 10.3 | Does the district track historical enrollment and ADA data to project future trends? . . . | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | While the district tracks historical enrollment and ADA data, it does not use the data in future year projection, using stable enrollment instead. | | | |
| 10.4 | Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 10.5 | Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | The district budgets using stable enrollment in future years. | | | |
| 10.6 | Has the district planned for enrollment losses to any charter schools? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | The district does not plan for losses to charter schools. | | | |
| 10.7 | Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 10.8 | Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? . . . | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | Documents provided by the district did not clearly indicate that it follows established board policy to limit outgoing interdistrict transfers to students who meet the required qualifications. The list of outgoing transfers included a category called "other reason noted on form," with no explanation as to what the reasons are. | | | |

- 10.10** Does the district adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code? ✓ ☐ ☐

11. Facilities

- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|--------------------------|
| 11.1 If the district participates in the state's School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.2 Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.3 Does the district properly track and account for facility-related projects? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.4 Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction's loading standards? <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Based on the information included in the district's 2017 Facilities Master Plan, the district does not use its facilities in accordance with Office of Public School Construction (OPSC) standards. Facilities usage ranged from 134% at Campo Elementary School to 30% at Pine Valley Middle School. The overall facility usage based on the report is 82%. The district has closed and reconfigured the schools since the time of the 2017 Facilities Master Plan but provided no information for updated classroom counts and school names.

- | | | | |
|---|-------------------------------------|--------------------------|--------------------------|
| 11.5 Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Measure JJ, a Proposition 39 bond, was passed in 2018. When a bond measure is approved, the school district's board must "establish and appoint members to an independent citizens' oversight committee" as required by EC 15278(a). The composition of the committee is outlined in EC 15282, which states, in part:

- (a) The citizens' oversight committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms. ... The citizens' oversight committee shall be comprised, as follows:
- (1) One member shall be active in a business organization representing the business community located within the school district or community college district.
 - (2) One member shall be active in a senior citizens' organization.
 - (3) One member shall be active in a bona fide taxpayers' organization.
 - (4) For a school district, one member shall be the parent or guardian of a child enrolled in the school district. ...

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. ...

- (b) An employee or official of the school district or community college district shall not be appointed to the citizens' oversight committee. A vendor, contractor, or consultant of the school district or community college district shall not be appointed to the citizens' oversight committee.

As noted in the district's annual bond performance audit for 2021-22, the oversight committee had only six members. None of the members was active as a senior citizens organization member.

As noted in the district's annual bond performance audit for 2022-23 and 2023-24, there were only five members on the oversight committee. There was not a different committee member that was active as a senior citizens organization member and taxpayer association member.

- 11.8 Does the district have a board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs?** ☐ ☒ ☐

While district staff indicated they are working to update the long-range facilities master plan, the current plan dates back to 2017, making it more than five years old.

12. Fund Balance and Reserve for Economic Uncertainties

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|--------------------------|
| 12.1 Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u>? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12.2 Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Based on the district's 2024-25 first interim report, the district will have -\$169,000 ending fund balance with no reserves in 2025-26 and -\$1.56 million ending fund balance with no reserves in 2026-27. | | | |
| 12.3 If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The governing board passed resolution 24-25-14 on December 17, 2024, reflecting a need to make reductions of \$1.59 million in 2025-26. The resolution was passed after the district's 2024-25 first interim report was approved so the reductions were not included in the district's multiyear projection.. | | | |
| 12.4 Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district's projected unrestricted fund balance is decreasing by -\$1.59 million in 2025-26. | | | |

- 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 to cover these costs? ☐ ☐ ✓

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 type="checkbox"/> | ✓ | <input type="checkbox"/> |
| According to interviews, the district used one-time federal and state COVID-19 funding to maintain staff with no plan on how to adjust when the one-time funding was exhausted. | | | |
| 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 prior year statewide average? | ✓ | <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 that of the prior two years? | ✓ | <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 prior two years, is the district addressing the complaint(s)? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 13.5 For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds? | ✓ | <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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.7 Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district does not charge the maximum allowable indirect cost rate to most programs in the general fund (01), the adult education fund (11), the child development fund (12) and the cafeteria special revenue fund (13). | | | |
| 13.8 Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

14. Information Systems and Data Management

- | | Yes | No | N/A |
|---|-----|--------------------------|--------------------------|
| 14.1 Does the district use an integrated financial and human resources system? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 14.4 Is the district using the same financial system as its COE? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | |
|------|---|--------------------------|--------------------------|---|
| 14.5 | If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 14.6 | If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE can provide oversight, review and assistance? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |

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"/> |
| The district does not review or update access and authorization controls for its financial system on a scheduled basis or at least annually. | | | |
| 15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?: | | | |
| • Accounts payable (AP). | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district has a module within its financial system where employees can mark that items or services have been received, and the invoice is approved for payment. Interviews with staff revealed that not all departments use this system. The substitute process for the current system is for employees to submit their packing slips or other documentation to verify receipt prior to invoice payment. Based on interviews, employees who do not use the financial system do not turn in packing slips or other documentation to verify receipt. The person who pays the invoice must approve it for payment based on verbal confirmation, which is a weakness in the district's internal control system. | | | |
| • Accounts receivable (AR).. | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| Interviews revealed that the same employee is responsible for both deposits and bank reconciliations, which is a serious weakness in the district's internal control system. | | | |
| • Purchasing and contracts. | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| • Payroll.. | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| Some employees have access to enter a new employee into the financial system, attach them to a position and process their payroll. This is a serious weakness in the district's internal control system. | | | |
| • Human resources (i.e., duties related to position control and payroll processes). | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 15.5 Does the district review and work to clear prior year accruals throughout the year? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

- 15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools?** ☐ ☒ ☐
- The district's unaudited actuals were submitted by the prescribed deadline for the 2021-22, 2022-23 and 2023-24 fiscal years. However, in 2023-24 the district's unaudited actuals were subsequently revised. The district's revised unaudited actuals were taken to the board for approval on October 10, 2024.
- 15.7 Does the district have processes and procedures to discourage and detect fraud?** ☐ ☒ ☐
- Although the district has Board Policy and Administrative Regulation 3400-Management of District Assets/Accounts, interviews indicated that staff were unaware of any process or procedure 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?** ☐ ☒ ☐
- Based on interviews, the district lacks a process for collecting and following up on reports of possible fraud.
- 15.9 Does the district have an internal audit process?** ☐ ☒ ☐
- The district stated it does not have a documented internal audit process.

16. Leadership and Stability

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|--------------------------|
| 16.1 Does the district have a chief business official who has been in this position with the district for more than two years? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.2 Does the district have a superintendent who has been in this position with the district for more than two years? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.3 Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.4 Is training on financial management and budget provided to school and department administrators who are responsible for budget management? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| During interviews, staff shared that formal training on the financial system and budget is provided to site secretaries annually but is not provided to management staff. | | | |
| 16.5 Does the governing board adopt and revise policies and administrative regulations annually? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| While some revisions to board policies occurred in June 2024, a significant number of policies have not been reviewed or revised since November 2017. | | | |
| 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| During interviews, staff stated that newly adopted or revised policies and administrative regulations are not communicated to staff. | | | |
| 16.7 Do all board members attend training on the budget and governance at least every two years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Interviews indicated that board members do not attend training on budget and governance at least every two years. | | | |
| 16.8 Is the superintendent's evaluation performed according to the terms of the contract? . . . | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- 16.9 Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities? ☒ ☐ ☐

17. Multiyear Projections

- | | Yes | No | N/A |
|--|-------------------------------------|--------------------------|-------------------------------------|
| 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.3 Does the district use its most current multiyear projection when making financial decisions? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

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 the unrestricted general fund? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 18.3 If the district is self-insured, has it completed an actuarial valuation as required and does it have a plan to pay for any unfunded liabilities? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

19. Position Control

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|--------------------------|
| 19.1 Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district does not include substitutes, overtime or stipends in position control. | | | |
| 19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . . | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | |
|------|---|--------------------------|--------------------------|--------------------------|
| 19.5 | Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 19.6 | Do managers and staff responsible for the district's human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
- Staff indicated during interviews that the staff responsible for the district's human resources, payroll and budget functions have many impromptu meetings but no regularly scheduled meetings.

20. Special Education

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 20.1 For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students' support needs also considered? If so, are those needs documented and evaluated at each budget cycle? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The documentation provided by the district did not clearly demonstrate that the district uses staffing ratios that align with statutory requirements and industry standards. | | | |
| 20.2 Does the district access all available funding sources for costs related to special education (e.g., state excess cost pool, legal fees, mental health)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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)? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district does not charge indirect costs to its special education programs. This results in an understatement of the true cost of these programs. | | | |
| 20.5 Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| Contributions from the unrestricted general fund to the special education program were overbudgeted in 2022-23 and 2023-24. Budgeted contributions in 2024-25 are more than double the actual contribution to the program for the last two years combined, indicating the budget was based on prior year budgets and not actual activity in the special education program. | | | |
| 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? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| FCMAT calculated the district's 2023-24 rate of identification of students to be 16.78%, which is higher than the county and statewide average rate of 15.95% and 13.70%, respectively. | | | |
| 20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

Risk Score, 20 numbered sections only:**28.7%****Key to Risk Score from 20 numbered sections only:**

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

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

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

Appendix

A. Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

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

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

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with the state Budget act provisions, FCMAT will study the Client's fiscal health because the Client's 2024-25 first interim financial report, certified under EC 42130 and 42131, marks its third consecutive qualified certification.

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

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

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

1. Orientation Meeting

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

2. Fieldwork

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

3. Exit Meeting

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

4. Exit Letter

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

5. Draft Report

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

6. Final Report

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

7. Board Presentation

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

3. PROJECT PERSONNEL

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

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

4. PROJECT COSTS

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

5. RESPONSIBILITIES OF THE CLIENT

- A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.
- B. Provide private office or conference room space for the Team's use during fieldwork.
- C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.
- D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

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

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

- E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.
- F. Facilitate access to requested board members, officers and staff for interviews.
- G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.
- H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.
- I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

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

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

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

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

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

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

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

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

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

8. INDEPENDENT CONTRACTOR

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

9. RECORDS

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

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

10. CONTACT WITH PUPILS

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

11. INSURANCE

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

12. HOLD HARMLESS

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

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).
- C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

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

15. EVALUATION

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

16. CLIENT CONTACT PERSON

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

Name: Patrick Keeley, Ed.D., Superintendent

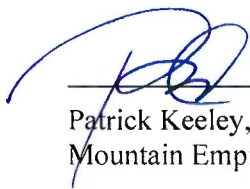
Telephone: (619) 473-9022

Email: patrick.keeley@meusd.org

17. SIGNATURES

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

For Client:



Patrick Keeley, Ed.D., Superintendent
Mountain Empire Unified School District

2.6.25

Date

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2025.02.13 20:34:19 -08'00'

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

Date