



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

January 13, 2023



Ojai Unified School District

Michael H. Fine
Chief Executive Officer

January 13, 2023

Tiffany Morse, Ph.D., Superintendent
Ojai Unified School District
414 East Ojai Ave.
Ojai, CA 93023

Dear Superintendent Morse:

In September 2022, the Ojai Unified 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 states 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 report contains the study team's analysis.

FCMAT appreciates the opportunity to serve the Ojai Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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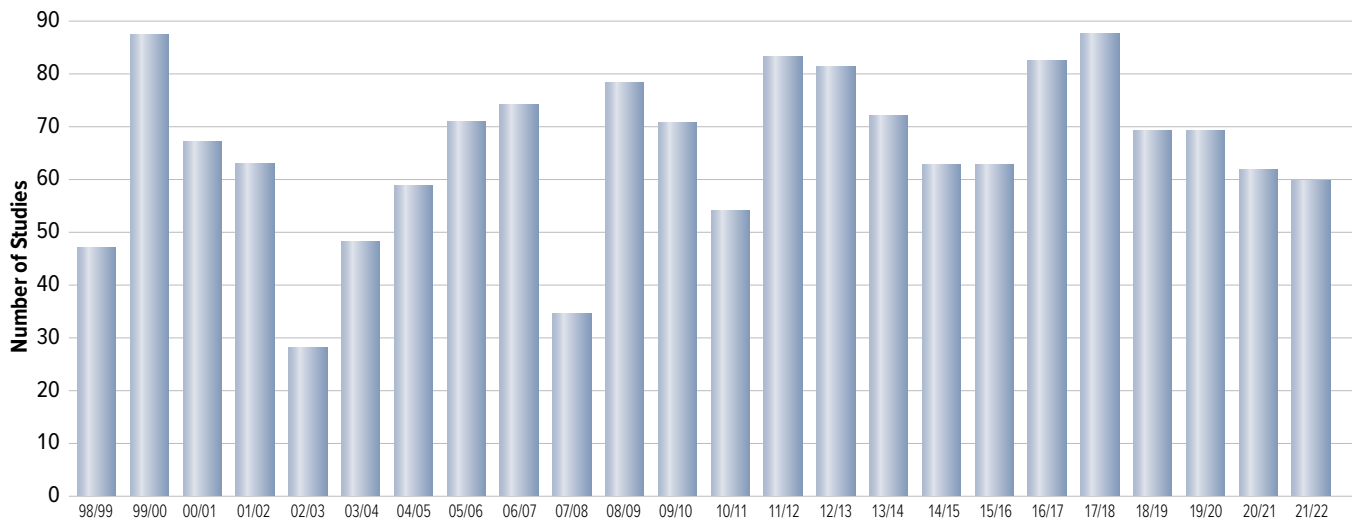
About FCMAT

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

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

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

Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,400 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, under which an analysis is required by the 2018-19 State Budget Act.

- Downgrade of district's 2021-22 second interim certification by the county superintendent

Located in Ventura County, the Ojai Unified School District has a five-member governing board and serves approximately 2,244 students in transitional kindergarten through 12th grade. The district has also authorized one independent charter school. According to data from the California Department of Education (CDE), student enrollment was 2,625 in 2014-15 and has decreased each year since then. The district's unduplicated pupil percentage, which includes those students who are English learners, foster youth, or qualify for free or reduced-price meals, is 43.75%.

The district's 2019-20 and 2020-21 unaudited actuals reports show deficit spending of \$381,800 and \$193,811, respectively, in the unrestricted general fund. The district's 2021-22 second interim report shows projected deficit spending of \$625,215 in the budget year, \$197,000 in 2022-23 and \$93,425 in 2023-24 and projects that the district will not meet the 3% minimum reserve requirement in the budget or subsequent fiscal years.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency. The 2021-22 second interim was used as the financial reporting period for FCMAT's analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Ojai Unified School District on September 23, 2022, and a study team visited the district on October 19-21, 2022 to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to receive, review and analyze documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The team was composed of the following members:

Diane Branham
FCMAT Chief Analyst

Shayleen Harte
FCMAT Deputy Executive Officer

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

FCMATFISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Date(s) of fieldwork: October 19-21, 2022

District: Ojai Unified School District

Summary

Since 2019-20 several of the Ventura County Office of Education's oversight letters have cautioned the district about projected deficit spending. The 2021-22 second interim letter indicated that the district may not meet its financial obligations for the current and two subsequent fiscal years. Therefore, the county office changed the district's second interim certification from positive to qualified, citing the following:

- A multiyear projection that shows the district did not meet its required minimum reserve for economic uncertainties in the budget and subsequent fiscal years.
- A position control system that has inaccuracies.
- A Local Control Funding Formula (LCFF) calculation with inaccuracies.
- A need to reconcile the cafeteria fund and identify any potential impact on the general fund.

At the second interim reporting period, the district projected it would not meet the state-required 3% minimum reserve for economic uncertainties, with 2.48% general fund reserves in 2021-22, 1.83% in 2022-23, and 1.50% in 2023-24. Board Policy 3100, adopted December 9, 2014, states:

To protect the district against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum unassigned fund balance which includes a reserve for economic uncertainties 3 percent of general fund operating expenditures.

If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

The district's financial system 2021-22 Cashflow Summary report shows a significant reduction in general fund ending cash, with a balance of \$943,662 as of June 30, 2022. Districts that maintain healthy financial reserves and cash balances and proactively manage budget adjustments and reductions are in a better position to weather an economic crisis. Districts with minimal reserves and/or cash balances may be forced to make more drastic cuts to remain fiscally solvent.

The fiscal health risk analysis shows the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to the district's fiscal distress. Of significant concern is the lack of an experienced, qualified chief business official (CBO). The former CBO resigned in June 2022, and at the time of FCMAT's fieldwork, the position was vacant, and the district was relying on various outside consultants to fill this role. In addition, the business office has experienced numerous staffing changes including an executive director of fiscal services hired in August 2022 who is new to school business, a recently filled support staff position, a vacant support staff position, and an individual who was on extended leave at the time of FCMAT's fieldwork. Also of significant concern is the loss of revenue due to the year-over-year enrollment decline. In response to declining enrollment, districts must make reductions in staffing and other operating expenses to compensate for revenue loss.

The district's significant risk factors include, but are not limited to, budget development and monitoring; inadequate cash and cash management; analysis and disclosure of tentative collective bargaining agreements; deficit spending; enrollment and attendance projections, analysis, processes, and procedures; erosion of the unrestricted fund balance and inadequate reserves; internal controls; and position control. These factors require considerable staff training and cross-training, documentation of procedures, and a significant focus on budget development and monitoring activities to ensure accuracy of the budget, multiyear financial projections and cash flow projections. These risk factors will also require the governing board and administrators to continue to make and implement difficult decisions to ensure that the district remains fiscally solvent. Failure to act quickly and decisively may result in fiscal insolvency and its severe consequences, including the loss of local control and governance.

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

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

Budget and Fiscal Status: Is district currently <i>without</i> the following?:		Yes	No	
Disapproved budget		✓	☐	
Negative interim report certification		✓	☐	
Three consecutive qualified interim report certifications		✓	☐	
Downgrade of an interim certification by the county superintendent		☐	✓	
"Lack of going concern" designation		✓	☐	
Material Weakness Questions		Yes	No	N/A
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	☐	☐
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	☐	✓	☐
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	☐	✓	☐
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	✓	☐
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	✓	☐	☐

Material Weakness Questions		Yes	No	N/A
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	✓	☐	☐
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	☐	✓	☐
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	✓	☐	☐
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	☐	✓	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	☐	✓	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	☐	✓	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☐	✓	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	✓	☐
19.1	Does the district account for all positions and costs?	☐	✓	☐

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.5%
2.	Budget Development and Adoption	4.9%
3.	Budget Monitoring and Updates	7.4%
4.	Cash Management	9.6%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	7.6%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.9%
9.	Employee Benefits	2.2%
10.	Enrollment and Attendance	4.5%
11.	Facilities	0.4%
12.	Fund Balance and Reserve for Economic Uncertainty	3.9%
13.	General Fund - Current Year	1.2%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	8.0%
16.	Leadership and Stability	3.9%
17.	Multiyear Projections	2.9%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	4.9%
20.	Special Education	1.1%
Score		67.9%

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status: Is the district currently <i>without</i> the following?:	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	☐	✓
“Lack of going concern” designation	✓	☐

1. Annual Independent Audit Report	Yes	No	N/A
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health? ☐ ✓ ☐ <i>The district’s 2018-19 audit report did not include any findings. The 2019-20 audit report included two findings; one contained questioned costs of \$21,646 and the other was identified as a significant deficiency. The 2020-21 audit included two findings, neither of which contained questioned costs. However, one was a repeat, and both were identified as material weaknesses. Interviews indicated that corrective action has not yet been taken to fully resolve the 2020-21 audit findings.</i>			
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.) ☐ ✓ ☐ <i>Education Code Section 41020(h) provides for an extension of the 2020-21 audit report completion deadline to January 31, 2022, and Section 41020.3(b) provides for an extension of the board presentation deadline to February 28, 2022. The district’s 2020-21 audit report was completed on April 6, 2022 and was presented to the board on May 11, 2022.</i>			
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses? ☐ ✓ ☐ <i>The district’s 2020-21 audit report contained two findings, both of which were identified as material weaknesses. One was about material misstatements of some account balances. The other was about the untimely reconciliation of bank accounts and compilation of capital asset records, as well as backup documents that were not provided to the audit firm in a timely manner. The report stated that these conditions caused the completion and issuance of the audit to be delayed.</i>			
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits? ☐ ✓ ☐ <i>Interviews indicated that corrective action has not yet been taken to fully resolve the two 2020-21 audit findings, one of which was a repeat from the 2019-20 audit.</i>			

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? <i>The June 16, 2021 board agenda included an item titled Public Hearing 2021-2022 Proposed Budget. The narrative document included in the board agenda materials contained many but not all the key assumptions used to develop the budget and multiyear projections. For example, the information provided did not include items such as step-and-column cost percentages, the consumer price index, or percentage increases for supplies and utility costs. The agenda materials also did not include the Standardized Account Code Structure (SACS) documents.</i> <i>The same narrative document was provided in the board agenda materials when the budget was presented for adoption at the June 21, 2021 board meeting. However, the SACS documents provided with the agenda for this meeting were not consistent with the narrative. For example, the revenue and ending balance on Form 01 and the enrollment and average daily attendance (ADA) on Form 01CS did not match the information in the narrative document.</i>	☐	✓	☐
2.2	Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	✓	☐	☐
2.3	Does the district use position control data for budget development? <i>Interviews indicated the district uses position control for budget development. However, the 2021-22 second interim letter from the county office noted a lack of position control and stated that the district's position control system did not include health and welfare costs for approximately 40 employees, which resulted in the expenditures being understated in the budget and two subsequent years. In addition, not all positions and costs (e.g., vacant positions and lump sum costs for substitutes) are accounted for in the position control system. Interviews indicated the district is working to update the position control data to ensure it is accurate.</i>	☐	✓	☐
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . . <i>As indicated in the county office's 2021-22 second interim letter, the district did not calculate its LCFF revenue correctly. Although the district's enrollment has declined each year since 2014-15, its projection included flat enrollment and average daily attendance (ADA) in the budget and subsequent years, ADA that exceeded enrollment each year, and outdated COLA assumptions.</i>	☐	✓	☐
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
2.6	Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . . <i>The district's 2021-22 Local Control and Accountability Plan (LCAP) annual update indicates that input on the plan was obtained from numerous community, parent and staff stakeholders.</i>	☐	✓	☐

At the time of FCMAT's fieldwork, the business office staff who were involved in 2021-22 budget development no longer worked for the district, and specific information about the process was not available. Although interviews indicated that educational services staff provide school principals with their budget allocations, these principals and department managers do not provide documented input (e.g., through budget worksheets) regarding their budgets. At the time of FCMAT's fieldwork, the district did not have a budget advisory committee, and interviews indicated that board members' involvement in budget development is limited to the input they provide during the public hearing prior to budget adoption.

- 2.7 Does the district budget and expend restricted funds before unrestricted funds? ☐ ☒ ☐

Interviews indicated that staff have struggled to ensure expenditures are coded correctly. For example, numerous 2021-22 expenditures that reportedly should have been coded to COVID funding sources were instead coded to the unrestricted general fund. It is unknown if all the coding corrections were made prior to year-end closing.

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

- 2.9 Has the district refrained from including carryover funds in its adopted budget? ☒ ☐ ☐

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

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

Interviews indicated that the district has a process requiring anyone who wants to write a grant proposal to obtain preapproval from cabinet. However, the district provided no evidence of a documented policy or procedure for evaluating the proposed acceptance and potential multiyear impact of grants and other types of restricted funds.

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

The district did not provide FCMAT with a 2021-22 budget calendar. Although a 2022-23 budget calendar was provided, that timeframe was after the period under review, and the calendar does not include all the major budget development tasks (e.g., review and reconciliation of position control), the deadline for each task, and the department or person responsible for completing each task. The budget calendar also lacks the tasks and deadlines for each interim reporting period.

3. Budget Monitoring and Updates

Yes No N/A

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

The district's Period Statement of Revenues and Expenditures report for July 1, 2021 through January 31, 2022 was summarized and provided by object code rather than for every account code. However, this less-detailed report shows numerous object codes with negative balances, which indicates that revenues and expenses were

not consistent with the current budget. In addition, the 2020-21 audit report shows that general fund expenditures exceeded appropriations in five major object code categories.

- 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? ☐ ✓ ☐

A budget narrative document was not included in the 2021-22 first interim report materials provided with the December 15, 2021 board agenda. This practice does not provide the board and public enough information and time to review the materials and formulate questions prior to the board meeting. A budget narrative document was provided to FCMAT, and it included some but not all the key assumptions used to develop the interim budget and multiyear financial projections. For example, the narrative document did not include items such as step-and-column cost percentages for each employee group, the consumer price index, or percentage increases for supplies and utility costs. The narrative also included outdated lottery revenue assumptions.

The 2021-22 second interim report materials provided with the March 15, 2022 board agenda contained a budget narrative that included some but not all the key assumptions used to develop the interim budget and multiyear financial projections. For example, the narrative document did not include items such as step-and-column cost percentages for each employee group, the consumer price index, or percentage increases for supplies and utility costs. Although the district's enrollment has declined each year since 2014-15, the narrative included flat enrollment and ADA in the budget and subsequent years and projected that ADA would exceed enrollment in each year; it also contained outdated COLA assumptions. The SACS documents provided with the board agenda were not consistent with the narrative. For example, the revenue and ending balance on Form 011 did not match the information in the narrative document. In addition, the narrative stated, "Based on the information in the 2021-2022 second interim report, Ojai Unified meets all its financial obligations for the current year and two subsequent school years." However, a review of the multiyear projection table in the narrative document and Form 011 and the multiyear projection spreadsheets included in the board agenda materials shows that the district did not meet the 3% minimum reserve requirement in the budget or two subsequent fiscal years.

- 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? ✓ ☐ ☐
- 3.5 Do the district's responses fully explain the variances identified in the criteria and standards? . ☐ ✓ ☐

The 2021-22 second interim report did not include a complete response for Criterion 1, Average Daily Attendance; Criterion 2, Enrollment; Criterion 3, ADA to Enrollment; and Criterion 4, LCFF Revenue. The district's enrollment has declined each year since 2014-15, and the explanations provided did not adequately support the flat enrollment and ADA projections or the ADA projections that exceeded enrollment in the budget and subsequent years. The district used a separate spreadsheet rather than SACS Form MYPI for its multiyear projections, and several criteria and standards were not completed and/or did not include the correct budget projections for the two subsequent fiscal years and therefore show a status of "Not Met" or indicate that the "Change is Outside Explanation Range."

- 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? ☐ ✓ ☐

Several of the 2019-20, 2020-21 and 2021-22 county office letters cautioned the district about projected deficit spending. The 2021-22 second interim letter states, "Our analysis of the second interim report indicates the district may not meet its financial obligations for the current and two subsequent fiscal years. Therefore, in accordance with Education Code Section 42131, we are changing the second interim report from a positive to a qualified certification." The letter indicates that the county office's determination was based on: the multiyear projection, which shows the district did not meet the required minimum reserve for economic uncertainties in the budget and subsequent fiscal years; position control system and LCFF calculation inaccuracies; and the need to reconcile the cafeteria fund and identify any potential impact on the general fund.

The 2019-20 and 2020-21 unaudited actuals show deficit spending of \$381,800 and \$193,811, respectively, in the unrestricted general fund. The 2021-22 second interim report projected unrestricted general fund deficit spending of \$625,215 in 2021-22, \$197,000 in 2022-23 and \$93,425 in 2023-24.

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

The district's Period Statement of Revenues and Expenditures report for July 1, 2021 through January 31, 2022 was summarized and provided by object code, rather than a more detailed report for every account code. However, the report shows numerous object codes with negative balances. In addition, the 2020-21 audit report shows that general fund expenditures exceeded appropriations in five major object code categories.

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

The district's Period Statement of Revenues and Expenditures report does not show that salaries and benefits are encumbered.

- 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 staff do not know when balance sheet accounts are reconciled. However, the 2020-21 audit report included a material weakness finding regarding internal control that states:

...we identified material misstatements of balances within the district's 2020-2021 unaudited actuals financial report. Through review of supporting records, we noted misstatements in the General Fund, the Building Fund and in the Non-Major Governmental Funds.

The finding goes on to state that the district failed to clear beginning accounts payable balances in the general fund.

- 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? ☐ ✓ ☐

The district's board minutes show that the interim and unaudited actuals reports were provided to the board by the required deadlines. However, the 2019-20 unaudited actuals report included with the September 9, 2020 board agenda materials did not include SACS forms for all funds, and the 2019-20 and 2020-21 unaudited actuals reports provided to the board were not the final documents submitted to the county office. The scope of FCMAT's review did not determine whether each interim report provided to the board was the same as what was submitted to the county office.

4. Cash Management	Yes	No	N/A
4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? ☐ <i>No documents were provided to show that the district reconciles its cash accounts with the county treasurer.</i>	☒	☒	☐
4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? ☐ <i>Interviews indicated that the district has more than 20 bank accounts and was in the process of closing most of the accounts at the time of FCMAT's fieldwork. Although monthly bank statements and reconciliations were not provided for all the district's bank accounts, most of the documents provided show little to no activity in the accounts.</i> <i>Some but not all the reconciliation documents include the name and signature of the preparer, but none include the date of preparation or the name, signature and date of the individual who reviewed the reconciliation. In addition, the district's 2020-21 audit report included a material weakness finding regarding bank accounts not reconciled timely; this was a repeat audit finding from 2019-20.</i>	☒	☒	☐
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? ☐ <i>The documents provided show that the district completes a cash flow projection for the current year but not for the subsequent year. In addition, the cash flow projection provided with the 2021-22 second interim report did not balance to the 2021-22 projected budget.</i>	☒	☒	☐
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? ☐ <i>Because the district does not complete a cash flow projection for the subsequent fiscal year, it is unable to determine if it has sufficient cash to support its projected obligations and, if needed, develop a reasonable plan to address its cash flow needs.</i>	☒	☒	☐
4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? ☐ <i>As of the second interim reporting period, the district's 2021-22 Cashflow Summary report shows that the cafeteria fund had a negative ending cash balance in October and November 2021. The second interim report included a projected transfer to the cafeteria fund of \$75,000 in 2021-22, \$76,988 in 2022-23, and \$78,913 in 2023-24.</i>	☒	☒	☐
4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603? ☐ <i>Education Code Section 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 2020-21 Account Transaction Detail report shows that the cafeteria fund owed the general fund \$200,000: \$150,000 was a carryover balance from 2019-20 and \$50,000 was borrowed on February 1, 2021. Neither of these amounts were repaid by June 30, 2021.</i> <i>The 2021-22 Account Transaction Detail report shows that numerous loans were made from the general fund to the cafeteria and associated student body funds, but none had been repaid as of the second interim reporting period.</i>	☒	☒	☐

- 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? ☐ ☒ ☐

At its June 16, 2021 meeting, the board approved a resolution that authorized borrowing a maximum of \$5.0 million in tax and revenue anticipation notes. Rather than using the SACS Form CASH document, the district's 2021-22 second interim cash flow projection was completed using a separate spreadsheet, which does not include a line item for current loans (object 9640). Therefore, it is unclear how much the district borrowed and when the funds were to be repaid.

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? ☐ ☒ ☐
Interviews indicated that negotiations have not been settled with the classified bargaining unit for 2020-21.
- 6.2 Has the district settled with all its bargaining units for the current year? ☐ ☒ ☐
Interviews indicated that negotiations have not been settled with the certificated or classified bargaining units for 2021-22. The agreement with the Ojai Federation of Teachers (OFT) Local 2119 expired June 30, 2021, and the agreement with the California School Employees Association (CSEA) Ojai Valley Chapter #333 expired September 30, 2021.
- 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? ☐ ☒ ☐

At its November 17, 2021 board meeting, the board voted to ratify a 2.31% salary increase for certificated staff retroactive to 2020-21. Although the board agenda item has an approximate amount of the annual fiscal impact, the district did not use a standardized AB 1200 public disclosure form that would identify the related costs (e.g., statutory benefits and step and column increases) for the current and subsequent years and identify ongoing revenue sources to support the agreement.

After the action above, the board voted to approve the same retroactive and ongoing increase for management, supervisors and unrepresented staff. The board agenda item again gave an approximate amount of the annual fiscal impact, but a standardized AB 1200 public disclosure form was not used.

Because the district did not use a standardized disclosure form, FCMAT could not verify if the district accurately quantified the effects of the collective bargaining agreements with the groups listed above.

- 6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? ☐ ✓ ☐
The district did not provide evidence that a presettlement analysis was conducted during the negotiations process.
- 6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)? ☐ ✓ ☐
The district did not provide public disclosure documentation of collective bargaining agreement settlements for fiscal years 2019-20 or 2020-21. Therefore, FCMAT could not compare the total settlement costs to the funded COLAs for those years.
- 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)? ☐ ✓ ☐
A written proposal to CSEA Ojai Valley Chapter #333 for 2020-21 was not provided to FCMAT, nor was identification of resources to cover the costs of any proposal.
- 6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? ☐ ✓ ☐
At its December 18, 2020 meeting, the board voted to approve the December 2020, COVID-19 Circumstances and Extraordinary Responsibilities Compensation for 2020-21 agreement with both OFT and CSEA without publicly disclosing the costs of the additional 1.5% one-time compensation outlined in the agreements.
At its January 25, 2021 meeting, the board voted to approve the COVID-19 Circumstances and Extraordinary Responsibilities Compensation for January – June 2021 agreement with CSEA for certain classified employees to receive a \$200 monthly stipend. This stipend was approved without publicly disclosing the costs of the additional compensation outlined in the agreement.
At its April 21, 2021 meeting, the board voted to approve the COVID-19 Circumstances and Extraordinary Responsibilities Compensation for January – June 2021 agreement with OFT for certain certificated employees to receive a \$250 monthly stipend. This stipend was approved as part of the consent calendar. Later at the same meeting, the AB 1200 disclosure for both this agreement and the January 2021 CSEA agreement was approved as part of the consent calendar publicly disclosing the costs of both agreements; however, neither the superintendent nor the CBO signed it to certify that the district could afford the agreements. The AB 1200 disclosure item should have been signed by the superintendent and CBO assuring that the district could afford the agreements, and it should have been placed on the board agenda prior to the board taking action to approve the agreements. It is best practice to agendaize these disclosures and agreements as individual items to give the public an opportunity to comment prior to board approval.
See 6.3 above for additional information.
- 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?	☐	☒	☐
	<i>Contributions to restricted resources were \$3,586,090 in 2019-20, \$3,825,320 in 2020-21, and projected to be \$4,985,407 at 2021-22 second interim. The district also transferred \$75,000 to the cafeteria fund in 2019-20 and projected to transfer \$75,000 at 2021-22 second interim. The district lacks a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.</i>			
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?	☐	☒	☐
	<i>The 2021-22 second interim financial report projected deficit spending of \$625,215 in the budget year.</i>			
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	☐	☒	☐
	<i>The 2021-22 second interim financial report projected deficit spending of \$197,000 in 2022-23 and \$93,425 in 2023-24.</i>			
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?	☐	☒	☐
	<i>Interviews indicated that the district lacks a board-approved plan to reduce or eliminate deficit spending.</i>			
8.4	Has the district decreased deficit spending over the past two fiscal years?	☒	☐	☐
9. Employee Benefits		Yes	No	N/A
9.1	Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	☒	☐	☐
9.2	Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district's unrestricted general fund revenues?	☐	☒	☐
	<i>According to the 2021-22 second interim report Form 01CSI, the district's OPEB pay-as-you-go annual liability was \$529,700, which is 2.17% of the projected unrestricted general fund revenue for the same reporting period.</i>			

- 9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? ☐ ☒ ☐

The district has a collectively bargained agreement with CSEA to limit accrued vacation balances to no more than 15 days maximum carryover, unless approved. A review of vacation balances provided by the district shows at least 14 employees with more than the allowed carryover, and at least six with a vacation balance of more than 30 days as of October 1, 2022, the date the leave balance report was generated.

- 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 does not periodically verify and determine eligibility for benefits.

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

10. Enrollment and Attendance

Yes No N/A

- 10.1 Has the district's enrollment been increasing or remained stable for the current and two prior years? ☐ ☒ ☐

According to DataQuest, the district's enrollment has steadily declined by 5.16%, from 2,366 students in 2019-20 to 2,244 students in 2021-22.

- 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)? ☐ ☒ ☐

Interviews indicated that staff are aware of the district's declining enrollment trend; however, the district did not provide any evidence that enrollment and ADA data are monitored and analyzed monthly.

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

Although the district provided evidence of historical enrollment and ADA data tracking, this information was not used at the 2021-22 second interim reporting period to project LCFF revenue.

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

- 10.5 Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years? ☒ ☐ ☐

- 10.6 Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? ☐ ☒ ☐

The district's data used in the LCFF calculator for the 2021-22 second interim report does not appear reasonable as it reports the ADA-to-enrollment ratio at 100.74% when historically the district's ADA percentage was approximately 95%.

The district's second interim report also did not project any decline in enrollment in the two subsequent years, even though the district's enrollment has been declining for at least seven years according to DataQuest, and the district's document labeled Enrollment Projections Cohort Method Adopted Budget 2122 projects continued decline in the coming years. Both factors could overstate projected revenues and have a detrimental effect on the district's ending fund balance.

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|-------|---|-------------------------------------|-------------------------------------|--------------------------|
| 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? | ☐ | ☒ | ☐ |
| | <i>Some departments review and verify their respective CALPADS data prior to the report being submitted; however, school sites reported that they are not involved in this process.</i> | | | |
| 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**

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|------|---|-------------------------------------|-------------------------------------|--------------------------|
| 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? | ☐ | ☒ | ☐ |
| | <i>In the district's 2020-21 financial audit for Measure J, the auditors noted material misstatements of balances in the district's 2020-21 unaudited actuals report. Specifically, they noted that Measure J's accounts payable balance was overstated by \$700,995, and the fair market value of the deposit in the county treasury was overstated by \$11,815, causing the building fund to be understated by \$689,180. Inadequate review processes related to the district's financial information was stated as the cause of the material weakness. However, the 2020-21 performance audit for Measure J concluded that in all significant respects, the district properly accounted for expenditures and that expenditures were made for authorized bond projects.</i> | | | |
| 11.4 | Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards? | ☐ | ☒ | ☐ |
| | <i>As a result of declining enrollment, the district does not use its facilities fully in accordance with the Office of Public School Construction's loading standards. The district reports its facility capacity as 3,900 students. According to DataQuest, its 2021-22 enrollment was 2,244 students, which is 57.5% of its reported capacity.</i> | | | |
| 11.5 | Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget? | ☐ | ☒ | ☐ |
| | <i>Interviews indicated that the budget for routine facility needs, such as maintenance and repair, is based on prior year activity. Although district staff have conversations to decide which facility needs can be paid for with bond proceeds, the district does not use any planning tools, such as a facilities master plan or documented preventive and deferred maintenance schedules, to project facility needs in advance.</i> | | | |
| | <i>Interviews also indicated that some individuals involved in facilities decisions were unaware that the district participated in the state's School Facility Program, which requires an annual contribution to the routine restricted maintenance account, indicating that the district does not plan for its maintenance and repair needs.</i> | | | |

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|------|---|--------------------------|--------------------------|--------------------------|
| 11.6 | Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? | ✓ | ☐ | ☐ |
| 11.7 | If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee? | ☐ | ✓ | ☐ |
| | <i>Education Code Section 15286 requires that independent financial and performance audits be performed annually by March 31 for the preceding fiscal year. The Measure J bond audits for fiscal years 2019-20 and 2020-21 and the Measure K audits for 2020-21 were performed but not completed and submitted to the school district or citizens' bond oversight committee by the required deadline.</i> | | | |
| 11.8 | Does the district have a long-range facilities master plan that reflects its current and projected facility needs? | ☐ | ✓ | ☐ |
| | <i>The district lacks a long-range facilities master plan.</i> | | | |

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

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|------|---|--------------------------|--------------------------|--------------------------|
| 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? | ☐ | ✓ | ☐ |
| | <i>The 2021-22 second interim report projected available reserves of 2.48%, rather than the 3% minimum required reserve. In addition, the report did not include the nonspendable components of ending fund balance for revolving cash and stores, which would have further reduced the available reserves.</i> | | | |
| 12.2 | Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? | ☐ | ✓ | ☐ |
| | <i>The 2021-22 second interim report projected available reserves of 1.83% in 2022-23 and 1.50% in 2023-24, rather than the 3% minimum required reserve. In addition, the report did not include the nonspendable components of ending fund balance for revolving cash and stores, which would have further reduced the available reserves.</i> | | | |
| 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? | ☐ | ✓ | ☐ |
| | <i>The district lacks a board-approved plan to restore the reserve.</i> | | | |
| 12.4 | Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? | ☐ | ✓ | ☐ |
| | <i>The 2021-22 second interim report projected an unrestricted ending fund balance of \$783,920 in 2021-22, \$586,920 in 2022-23, and \$493,495 in 2023-24.</i> | | | |
| 12.5 | If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level? | ☐ | ☐ | ✓ |

13. General Fund – Current Year**Yes No N/A**

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|------|---|--------------------------|--------------------------|--------------------------|
| 13.1 | Does the district ensure that one-time revenues do not pay for ongoing expenditures? | ☐ | ✓ | ☐ |
| | <i>No documents were provided to show that the district adequately monitors one-time revenues to ensure those revenues do not pay for ongoing expenditures.</i> | | | |
| 13.2 | Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year? | ✓ | ☐ | ☐ |

- | | | | |
|------|--|--------------------------|--------------------------|
| 13.3 | Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years? . . . ✓ | ☐ | ☐ |
| 13.4 | If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)? ☐ | ☐ | ✓ |
| 13.5 | Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? ✓ | ☐ | ☐ |
| 13.6 | Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? ✓ | ☐ | ☐ |
| 13.7 | Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? ☐ | ✓ | ☐ |

The district's 2020-21 unaudited actuals report and its 2021-22 Period Statement of Revenues and Expenditures report through January 2022 show that the district does not budget and charge the full allowable indirect cost rate to all its restricted resources and other funds. In addition, the 2020-21 unaudited actuals Form ICR shows that \$1,660 in indirect costs were charged to resource 3220, Coronavirus Relief Fund: Learning Loss Mitigation; however, indirect costs may not be charged to this program. To show the true costs of programs, the district should budget and charge the maximum allowable indirect costs to all restricted programs and funds, including special education, routine restricted maintenance, and cafeteria.

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? ☐ | ✓ | ☐ |
| <i>Position control data was not updated during the 2021-22 fiscal year, which made it difficult for the district to obtain accurate personnel information on which to base informed decisions. Interviews indicated that the district is working to update the position control data to ensure it contains current and accurate information.</i> | | | |
| 14.3 | Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? ✓ | ☐ | ☐ |
| 14.4 | Is the district using the same financial system as its county office of education? ✓ | ☐ | ☐ |
| 14.5 | If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems? ☐ | ☐ | ✓ |
| 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? ☐ | ✓ | ☐ |
| <i>District staff indicated that procedures were implemented to require administrator approval for access to the financial system. However, based on the documentation provided, it is unknown if staff members have system access that provides for proper</i> | | | |

internal control and separation of duties (e.g., whether employees have access to change vendor information and process vendor payments or input employee demographic information and process payroll). See 15.2 below for additional information.

- 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? ☐ ✓ ☐

District staff indicated that procedures have been implemented to disable access to the financial system when an individual leaves the district. However, the documentation provided shows that some individuals who left still have access. No evidence was provided to show that access and authorization are reviewed at least annually and when employees are promoted or demoted.

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

- Accounts payable (AP) ☐ ✓ ☐

A supervisory employee does not review accounts payable batches before they are submitted to the county office for further processing. The best practice is for a supervisory employee to review all accounts payable transactions and the warrant prelist before the batch is submitted to the county office.

Accounts payable warrants are printed at the county office and sent to the district where they are received and distributed by the staff member who processed them. To provide better segregation of duties, the individual responsible for generating warrants should not have access to them after they are printed.

- Accounts receivable (AR) ☐ ✓ ☐

One staff member generates invoices, enters payment information in the financial system, prepares the deposits, and reconciles the bank statements. To provide for segregation of duties, the individual responsible for generating invoices should not have access to payments received for those invoices, and the individual who prepares the deposits should not be assigned to reconcile the bank statements.

- Purchasing and contracts. ☐ ✓ ☐

The employee responsible for processing purchase orders and for adding and modifying vendor information in the financial system also has system access to make payments to vendors. To provide for segregation of duties, the employee assigned to add and modify vendor information should not have system access to make vendor payments.

- Payroll ✓ ☐ ☐

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

Although interviews indicated that the position control and payroll processes are segregated, the position control system has not been properly monitored to ensure its accuracy. At the time of FCMAT's fieldwork, the district was working to update the position control data.

- 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 staff do not know when prior year accruals are cleared and that many are likely cleared during year-end close. The 2020-21 audit report included a material weakness finding regarding internal control that states:
...we identified material misstatements of balances within the District's 2020-2021 unaudited actuals financial report. Through review of supporting records, we noted misstatements in the General Fund, the Building Fund and in the Non-Major Governmental Funds.
The finding goes on to state that the district failed to clear beginning accounts payable balances in the general fund.
- 15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? ☐ ☒ ☐
Although the 2019-20 and 2020-21 unaudited actuals reports were presented to and adopted by the board within the timeline established in Education Code Section 42100, the SACS reports provided to the board were not the final documents submitted to the county office.
- 15.7 Does the district have processes and procedures to discourage and detect fraud? ☐ ☒ ☐
The district has adopted Board Policy 3400 and its website includes links to reporting resources (see 15.8 below for additional information); however, the district lacks sufficient internal controls to prevent 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's website includes links to an anonymous hotline (WeTip) and to the U.S. Department of Homeland Security website (See Something, Say Something) that individuals can use to report suspicious or illegal activities. However, some individuals interviewed did not know about these resources. Board Policy 3400 states, "Any employee who suspects fraud, impropriety, or irregularity shall immediately report those suspicions to his/her immediate supervisor and/or the Superintendent or designee," and Administrative Regulation 3400 states, "The Superintendent or designee shall investigate reports of fraudulent activity..." However, no evidence was provided to show that the district has a documented process to follow up on reports of possible fraud.
- 15.9 Does the district have an internal audit process? ☐ ☒ ☐
The district hired an outside consulting firm in November 2020 to review some of its business office processes and procedures; however, the district lacks a formal internal audit process.

16. Leadership and Stability

Yes No N/A

- 16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years? ☐ ☒ ☐
The district's last CBO resigned effective June 30, 2022. At the time of FCMAT's fieldwork, the district had been unable to hire a CBO and had been relying on various outside consultants to fill this role.
- 16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years? ☒ ☐ ☐

- 16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? ☒ ☐ ☐
- 16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? ☐ ☒ ☐
- Interviews indicated site and department administrators who are responsible for budget management have not had any recent training on financial management and budgeting; however, the district recently provided initial training on a newly purchased product that syncs nightly with the district's financial system and that reportedly will allow decision-makers to view and monitor their budgets. Interviews also indicated that the district still struggles to ensure that the information in the financial system is accurate.*
- 16.5 Does the governing board adopt and revise policies and administrative regulations annually? . ☐ ☒ ☐
- The district updates some board policies (BPs) and administrative regulations (ARs) periodically, but a comparison of the district's board policy manual on its webpage with the California School Board Association's (CSBA's) GAMUT sample district policy manual shows that many of the district's BPs and ARs are outdated, and more recent sample policies are available. For example, the district's BP and AR 1312.1, Complaints Concerning District Employees, were both last updated in June 2004, even though CSBA's last update was in May 2019.*
- 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? ☐ ☒ ☐
- The district lacks a specific process for communicating to staff about newly adopted or revised policies and/or administrative regulations.*
- 16.7 Do all board members attend training on the budget and governance at least every two years? ☐ ☒ ☐
- Interviews indicated that board members have not attended training on the budget and governance at least every two years.*
- 16.8 Is the superintendent's evaluation performed according to the terms of the contract? ☐ ☒ ☐
- The superintendent's contract provides that evaluations be conducted annually during the summer months of each calendar year, or as close to that time as possible. Interviews indicated, and board agendas support, that this process occurs in closed session; however, the board minutes do not indicate if the evaluation was completed or if other action regarding this matter was taken in closed session.*

17. Multiyear Projections

Yes No N/A

- 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? ☐ ☒ ☐
- The June 16, 2021 board agenda included an item titled Public Hearing 2021-2022 Proposed Budget. The narrative document included in the board agenda materials contained many but not all the key assumptions used to develop the budget and multiyear projections. For example, the information provided did not include items such as step-and-column cost percentages, the consumer price index, or percentage*

increases for supplies and utility costs. The same narrative document was provided in the board agenda materials when the budget was presented for adoption at the June 21, 2021 board meeting. See 2.1 above for additional information.

The 2021-22 second interim report materials provided with the March 15, 2022 board agenda contained a budget narrative that included some but not all the key assumptions used to develop the interim budget and multiyear financial projections. For example, the narrative document did not include items such as step-and-column cost percentages for each employee group, the consumer price index, or percentage increases for supplies and utility costs. Although the district's enrollment has declined each year since 2014-15, the narrative included flat enrollment and ADA in the budget and subsequent years and projected that ADA would exceed enrollment in each year; it also contained outdated COLA assumptions. See 3.3 above for additional information.

- 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? ☐ ☒ ☐

As indicated in the county office's 2021-22 second interim letter, the district did not calculate its LCFF revenue correctly. Although the district's enrollment has declined each year since 2014-15, its projection included flat enrollment and ADA in the budget and subsequent years, ADA that exceeded enrollment each year, and outdated COLA assumptions.

- 17.3 Does the district use its most current multiyear projection in making financial decisions? . . . ☒ ☐ ☐

- 17.4 If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable? ☐ ☒ ☐

At the 2021-22 second interim reporting period, the district used a summary spreadsheet for the presentation of its multiyear projection, rather than Form MYPI. The spreadsheet did not show broad adjustment categories. However, the 2021-22 first interim report included adjustments on Form MYPI line B1d and B2d for 2022-23 and 2023-24. The explanation provided on Form MYPI did not include sufficient detail to determine if the adjustments were reasonable, and the board agenda materials did not include detailed written assumptions for the budget and multiyear projections.

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? ☐ <i>The 2021-22 second interim review letter from the Ventura County Office of Education indicated a lack of position control in the district, specifically stating that the position control system did not include health and welfare costs for approximately 40 employees. As a result, the budgeted health and welfare costs were understated in the current and two subsequent years.</i> <i>No evidence was provided indicating that position control is reconciled with payroll and budget. For example, a comparison of the 2021-22 second interim budget for certificated and classified salaries with the Position Assignments with Accounts report as of March 21, 2022 shows the projected budget was \$1,262,814 more than the total in the position control report. This indicates that not all positions and costs are accounted for in the position control system, such as lump sum costs related to substitutes and stipends.</i> <i>Interviews indicated the district has been working to update the position control data to ensure it is current and accurate.</i>	☒	☒	☐
19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? ☐ <i>The collective bargaining agreement with certificated employees contains an article with class size maximums and pupil ratios for counselors. The district did not provide evidence of any other staffing ratios or analysis of other positions based on enrollment.</i>	☐	☒	☐
19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? ☐ <i>No evidence was provided to show that the district has a formal process for reconciling budget, payroll and position control regularly, and interviews confirmed this deficiency. If these had been reconciled at the 2021-22 second interim reporting period, the district would have discovered the discrepancy with the health and welfare costs described above in 19.1.</i>	☐	☒	☐
19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board? ☐ <i>The district does not identify a budget source for all new positions, such as the speech-language pathologist assistant position approved by the board on April 21, 2021 and the registered behavior technician position approved by the board on May 12, 2021.</i>	☐	☒	☐
19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? ☐ <i>Interviews indicated that most new positions are approved by the board before they are posted; however, FCMAT could not confirm through a review of board minutes that the new English learner and family support position was approved by the board prior to filling the position.</i> <i>Interviews also indicated that not all stipends have been board-approved and that some are not in the collective bargaining agreements.</i>	☐	☒	☐
19.6 Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes? ☒	☒	☐	☐

20. Special Education		Yes	No	N/A
20.1	Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	✓	☐	☐
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	✓	☐	☐
20.3	Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	✓	☐	☐
20.4	Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	☐	✓	☐
	<i>The district has struggled to accurately code expenditures in the financial system, including those related to special education.</i> <i>According to the 2020-21 unaudited actuals report, the district did not charge indirect costs to its special education programs. Although the district must make a contribution to fund special education services, it should charge allowable indirect costs to correctly account for all costs related to special education.</i>			
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?	☐	✓	☐
	<i>The district's 2021-22 identification rate was 14.13%, which was higher than the countywide rate of 13.24% and the statewide rate of 12.65% for the same period.</i>			
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	☐	✓	☐
	<i>The district did not provide any evidence that it analyzes whether it will meet the maintenance of effort requirement at each interim reporting period. Although the SEMAI form was included with the district's 2021-22 second interim report, the form's 2020-21 prior year actual expenditures column was not completed, so the district could not analyze the 2021-22 projected expenditures maintenance of effort requirement. The SEMAI form was not provided with the 2021-22 first interim report.</i>			

Risk Score, 20 numbered sections only:
67.9%**Key to Risk Score from 20 numbered sections only:***High Risk: 40% or more**Moderate Risk: 25-39.9%**Low Risk: 24.9% and lower***District Fiscal Solvency Risk Level, all FHRA factors:****High**

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

Appendix

Appendix A: Study Agreement

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FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT August 3, 2022

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Ojai Unified 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 school sites if necessary.
3. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.

5. Board Presentation – The team will make a presentation regarding the final report at a district board meeting.

3. PROJECT PERSONNEL

The FCMAT study team may include:

- | | |
|--------------------------|--------------------|
| <i>A. Diane Branham</i> | <i>FCMAT Staff</i> |
| <i>B. Shayleen Harte</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.
 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 Ojai Unified School District named as additional insured, indicating applicable insurance coverages.

10. HOLD HARMLESS

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

11. COVID-19 PANDEMIC

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

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

12. **FORCE MAJEURE**

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

13. **CONTACT PERSON**

Name: Tiffany Morse
 Telephone: (805) 640-4300
 E-Mail: tmorse@ojaiusd.org



8/17/2022

Tiffany Morse, Ph.D., Superintendent
 Ojai Unified School District

Date



9/23/22

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

Date