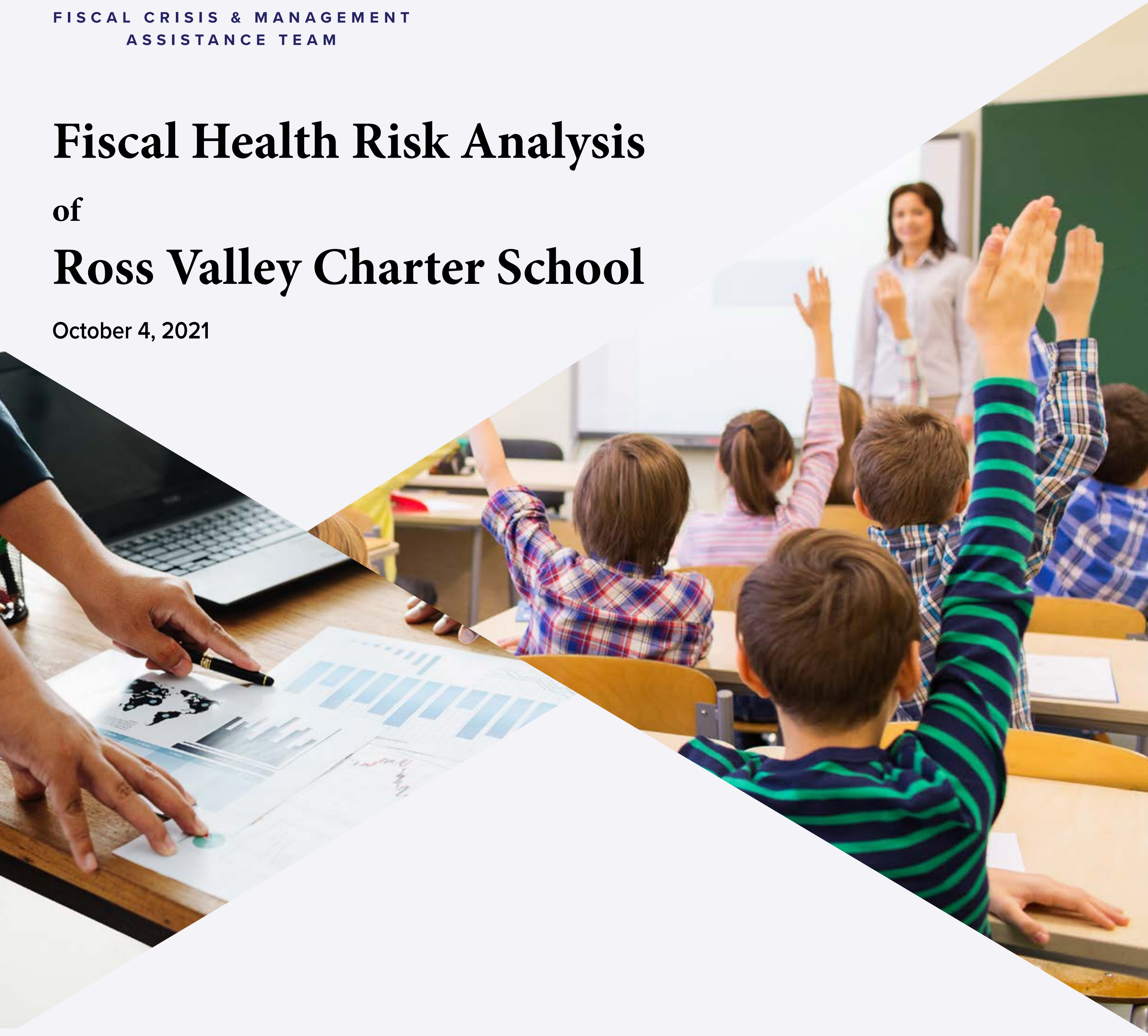
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

of

Ross Valley Charter School

October 4, 2021



Marin County Office of Education

Michael H. Fine
Chief Executive Officer

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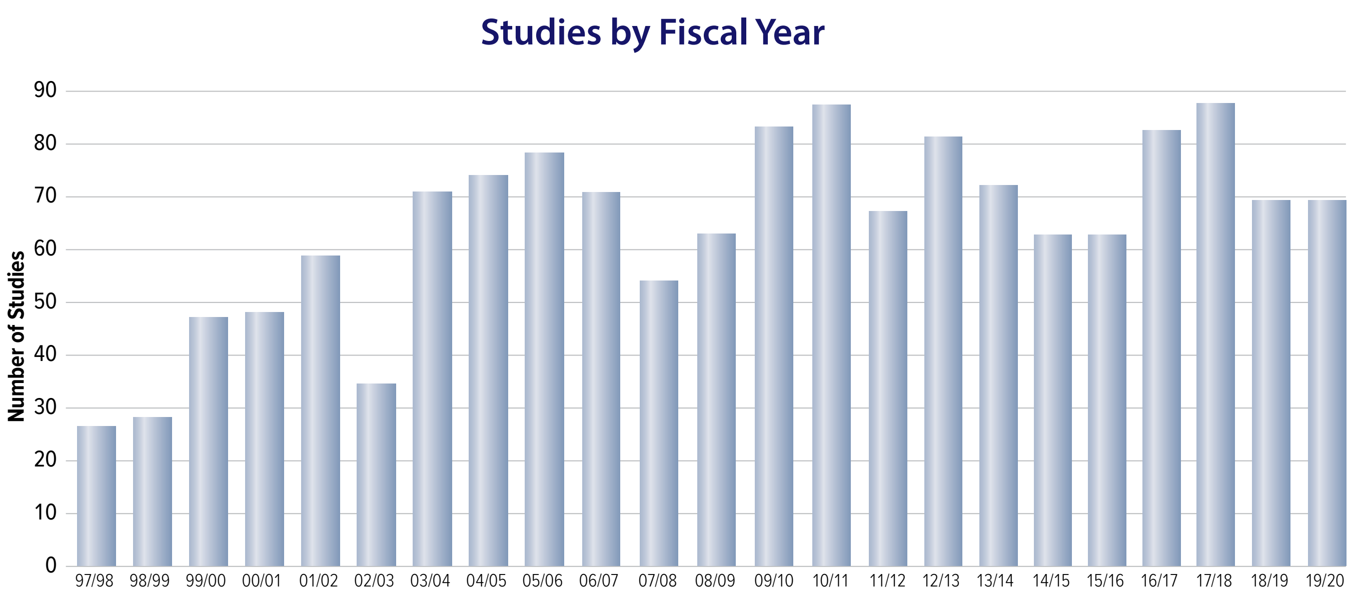
About FCMAT

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.

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.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Marin County Office of Education on May 14, 2021. Due to the impact of COVID-19, the study team conducted interviews with the charter school by video conference August 6, 9 and 11, 2021. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

Robbie Montalbano, CFE Intervention Specialist	Carolynne Beno Intervention Specialist
Erin Lillibridge 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 Charter Schools

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: August 6, 9 and 11, 2021

Charter: Ross Valley Charter School

Summary

California Education Code Section 47600, also known as the Charter Schools Act of 1992, was enacted "to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure." Charter schools are a part of the public school system but differ from traditional public schools because they are exempt from certain state laws relating to specific educational programs. Specific goals and operating procedures are detailed in an agreement, or charter, between the authorizing agency and the charter school organizers. Charter schools may elect to operate as corporations organized under the Nonprofit Public Benefit Corporation Law of the Internal Revenue Code [26 U.S.C. Section 501(c)(3)]. While charter schools offer a more flexible school governance model, they are still accountable for student achievement and fiscal management like traditional public schools.

The authorizing agency is responsible for adequate and appropriate oversight, including determining whether a charter follows prudent business practices and generally accepted accounting principles in accounting for revenues and expenditures and meeting financial reporting requirements. The authorizing agency may be a school district or a county office of education. Marin County Office of Education is deemed to be the chartering authority and responsible for the required oversight of the charter school. As part of their oversight activities, the county office and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a fiscal health risk analysis of the Ross Valley Charter School. Additionally, the county office and FCMAT entered into an agreement for FCMAT to perform oversight duties for the charter school.

The Ross Valley Charter School began classes in the 2017-18 school year at the White Hill Middle School campus of the Ross Valley School District and has been housed at its present location at 102 Marinda Drive in Fairfax, CA since 2019-20.

FCMAT performed a detailed review of documents as well as conducted virtual one on one interviews with staff and board members. The overall score is low, with the charter school having few areas of risk for insolvency. No LEA is completely without risk, and the Ross Valley Charter School governing board is ultimately responsible for the charter's budget and fiscal solvency. Management has the responsibility to present sound financial information based on current and accurate data so the board can make informed decisions. Areas where a "no" answer is listed should be reviewed for possible changes so that risk can be eliminated or further reduced.

Charter School Fiscal Solvency Risk Level: Low

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 charter school's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 19 sections, each containing specific questions. Every question in each section must be answered with a "Yes," "No," or "N/A" for the scoring at the end to be accurate. Unanswered questions will be counted as "no" answers and thus will raise a charter school's risk score.

Each section and specific question is included based on FCMAT's work since its inception; they are the common indicators of risk or potential insolvency for charter schools that have neared insolvency or have failed. Each section of this analysis is critical, and lack of attention to these critical areas will eventually lead to a charter school'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 charter. 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 toward or against a charter's fiscal stability percentage. Narratives are included for responses that are marked as a "no" so the charter school can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

For this tool, a score of 40% or more is considered high risk; a score of 25%-39% is considered a moderate risk; and a score of 24% or lower is considered a low risk.

Identifying issues early is the key to maintaining fiscal health. Diligent planning will enable a charter school to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A charter school should consider completing the FHRA annually to assess its own fiscal health risk and progress over time.

Areas of High Risk

The following section duplicates certain questions and answers given in the Fiscal Health Risk Analysis Questions later in this document and identifies conditions that create significant risk of fiscal insolvency. A material weakness indicated by a “no” answer to any of these items supersedes all other scoring and will elevate the charter school’s overall risk level.

	Material Weakness Questions	Yes	No	N/A
3.4	If applicable, following board approval of increased compensation for employees (salary and/or benefits), does the charter school make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period?	✓	☐	☐
3.6	Has the charter addressed any fiscal deficiencies the authorizer has identified in its oversight letters in the current and prior two fiscal years?	✓	☐	☐
4.3	Does the charter school forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	✓	☐	☐
4.4	Does the charter school have a reasonable plan to address cash flow needs during the current fiscal year and subsequent year?	✓	☐	☐
5.3	Does the charter accurately quantify the effects of increased salaries and/or benefits and include them in its budget and multiyear projections?	✓	☐	☐
5.4	Did the charter school analyze 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 cover the estimated costs of salary and/or benefits increases?	✓	☐	☐
7.3	If the charter school 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?	☐	☐	✓
9.7	Are the charter school’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	☐	☐
10.1	Does the charter school have sufficient and available capital outlay funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
11.1	Is the charter school able to maintain the minimum reserve for economic uncertainty in the current year as defined by 5 CCR 15450, as best practices?	✓	☐	☐
11.2	Is the charter school able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	☐	☐
11.3	If the charter school is not able to maintain the minimum reserve for economic uncertainty, does the multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
18.1	Does the charter school account for all positions and costs?	✓	☐	☐

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	0.2%
3.	Budget Monitoring and Updates	0.0%
4.	Cash Management	0.0%
5.	Collective Bargaining and Unrepresented Employee Agreements or Compensation Agreements	1.2%
6.	Contributions and Transfers	1.0%
7.	Deficit Spending	0.0%
8.	Employee Benefits	0.0%
9.	Enrollment and Attendance	0.0%
10.	Facilities	0.0%
11.	Fund Balance/Reserve for Economic Uncertainty and Cash Reserves	0.0%
12.	General Fund – Current Year	0.2%
13.	Information Systems and Data Management	1.0%
14.	Internal Controls and Fraud Prevention	1.4%
15.	Leadership and Stability	2.2%
16.	Multiyear Projections	0.0%
17.	Debt and Risk Management	1.0%
18.	Position Control	1.6%
19.	Special Education	1.8%

Score	**11.5%**

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	Has the charter school corrected prior year audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)?	☐	☐	✓
1.2	Has the independent audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline?	✓	☐	☐
1.3	Were the charter school's most recent and prior two audit reports free of findings of material weaknesses?	✓	☐	☐
1.4	Has the charter school corrected all reported audit findings from the current and past two audits?	☐	☐	✓
1.5	Does the audit report disclose any charter management organization (CMO) or related party transactions?	☐	☐	✓

2. Budget Development and Adoption

		Yes	No	N/A
2.1	Does the charter school develop and use written budget assumptions and multiyear projections that are reasonable, are supported by detailed calculations or other evidence, and have been clearly articulated?	✓	☐	☐
2.2	Does the charter school 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 charter school use position control data for budget development?	✓	☐	☐
2.4	Did the charter school submit its SB 740 determination timely, if nonclassroom-based, and was it approved by CDE for full funding?	☐	☐	✓
2.5	Does the charter school calculate the Local Control Funding Formula (LCFF) revenue correctly? If the LCFF is calculated for the charter school, has the charter school verified the data used within the calculation?	✓	☐	☐
2.6	Does the charter school account for private revenues/donations conservatively?	✓	☐	☐
2.7	Have the charter school's budget and interim reports been submitted to its authorizer and county office of education in the current and two prior fiscal years by the deadlines prescribed in Education Code Section 47604.33(a)?	✓	☐	☐
2.8	Does the budget development process include input from parents and other key stakeholders (e.g., staff, administrators, the governing board, the community, etc.)?	✓	☐	☐
2.9	Does the charter school budget reflect expending restricted funds before unrestricted funds?	✓	☐	☐
2.10	Have the local control accountability plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Section 47604.33 and submitted to the authorizer and county office of education by July 1 for the current and past two fiscal years?	✓	☐	☐
2.11	Has the charter school refrained from including carryover funds in its adopted budget?	✓	☐	☐
2.12	Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the charter school avoid using negative or contra expenditure accounts?	✓	☐	☐

		Yes	No	N/A
2.13	Does the charter school 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 charter school's unrestricted fund?	☐	✓	☐
	Interviews indicated the school does not have a documented policy or procedure for evaluating the proposed acceptance of grants and other types of restricted funds, or for analyzing the potential multiyear impact on the school's unrestricted funds.			
2.14	Does the charter school adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff member/department responsible for completing them?	✓	☐	☐

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	✓	☐	☐
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 and notes that support budget revisions communicated to the board at each interim report, at a minimum?	✓	☐	☐
3.4	If applicable, following board approval of increased compensation for employees (salary and/or benefits), does the charter school make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period?	✓	☐	☐
3.5	Has the charter addressed any fiscal deficiencies the authorizer has identified in its oversight letters in the current and prior two fiscal years?	✓	☐	☐
3.6	Does the charter prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	✓	☐	☐
3.7	Does the charter encumber and adjust encumbrances for salaries and benefits?	✓	☐	☐
3.8	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	✓	☐	☐
3.9	Have the interim reports and the unaudited actuals been adopted and filed with the chartering authority and the county superintendent of schools within the timelines established in Education Code?	✓	☐	☐

4. Cash Management

		Yes	No	N/A
4.1	Are cash and investment accounts held by the charter school reconciled monthly?	✓	☐	☐
4.2	Does the charter school forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	✓	☐	☐
4.3	Does the charter school have a reasonable plan to address cash flow needs during the current fiscal year and subsequent year?	✓	☐	☐
4.4	Does the charter school's short-term cash flow plan accurately account for accounts receivables factoring or other forms of cash advances or borrowing?	✓	☐	☐
4.5	Does the charter school have sufficient cash resources in its other funds/accounts to support its current and projected obligations?	☐	☐	✓
4.6	If intercharter borrowing or transfers occur, are those funds documented and reconciled?	☐	☐	✓
4.7	If the charter school is managing cash through external borrowing, does the charter			

		Yes	No	N/A
	school's cash flow projection include repayment based on the terms of the loan agreement?	✓	☐	☐

5. Collective Bargaining and Unrepresented Employee Agreements or Compensation Agreements

		Yes	No	N/A
5.1	Has the charter school addressed whether salaries and/or benefits will be increased for all its employees for the prior two fiscal years?	✓	☐	☐
5.2	Has the charter school addressed whether salaries and/or benefits will be increased for all its employees for the current year?	☐	✓	☐
	Interviews with staff indicated the charter school board will consider a proposal addressing salary and benefit increases in September or October for the 2021-2022 school year.			
5.3	Does the charter accurately quantify the effects of increased salaries and/or benefits and include them in its budget and multiyear projections?	✓	☐	☐
5.4	Did the charter school analyze 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 cover the estimated costs of salary and/or benefits increases?	✓	☐	☐
5.5	In the current and prior two fiscal years, has the charter school settled the total cost of the compensation increases at or under the funded cost-of-living adjustment (COLA)?	☐	✓	☐
	On April 15, 2021, the charter school provided a salary increase retroactive to July 1, 2020, for certificated staff based on step-and-column increases in the Ross Valley School District's salary schedule; a 3.5% salary increase was approved for classified staff. In 2020-2021, the COLA provided by the state was 0.00%.			
5.6	If compensation increases are still unresolved for the past two years, has the charter school identified resources to cover the estimated costs of settlements?	☐	☐	✓

6. Contributions and Transfers

		Yes	No	N/A
6.1	Does the charter school have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted resources to restricted programs?	☐	✓	☐
	While a plan does not exist to eliminate or reduce contributions, the board and administration of the charter school are aware of the contribution of unrestricted resources to the special education program. All additional expenses to the program are carefully considered.			
6.2	If any contributions/transfers were required for restricted programs in either of the prior two fiscal years, and this is still necessary in the current year, did the charter school budget for them at reasonable levels?	✓	☐	☐

7. Deficit Spending (Unrestricted General Fund)

		Yes	No	N/A
7.1	Is the charter school avoiding deficit spending in the current fiscal year?	✓	☐	☐
7.2	Is the charter school projected to avoid deficit spending in either of the two subsequent fiscal years?	✓	☐	☐
7.3	If the charter school 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?	☐	☐	✓

7.4	Has the charter school decreased deficit spending over the past two fiscal years?	☐	☐	✓

8. Employee Benefits

		Yes	No	N/A
8.1	Has the charter school completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) or Financial Accounting Standards Board (FASB)requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	☐	☐	✓
8.2	Does the charter school have a plan to fund its liabilities for retiree health and welfare benefits?	☐	☐	✓
8.3	Has the charter school followed a policy to limit accrued vacation balances?	✓	☐	☐
8.4	If health insurance is offered, has the charter school conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents within the last five years?	☐	☐	✓
8.5	Does the charter school track, reconcile and report employees' compensated leave balances?	✓	☐	☐

9. Enrollment and Attendance

		Yes	No	N/A
9.1	If applicable, has the charter school submitted its Pupil Estimates for New or Significantly Expanding Charters (PENSEC) due to significant expansion?	☐	☐	✓
9.2	Has the charter school's enrollment been increasing or remained stable for the current and two prior years?	✓	☐	☐
9.3	Does the charter school monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?	✓	☐	☐
9.4	Does the charter school track historical enrollment and ADA data to establish future trends?	✓	☐	☐
9.5	Do charter school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and total charter school levels?	✓	☐	☐
9.6	Has the charter school 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?	✓	☐	☐
9.7	Are the charter school's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	☐	☐
9.8	Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?	✓	☐	☐

10. Facilities

		Yes	No	N/A
10.1	Does the charter school have sufficient and available capital outlay funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
10.2	Does the charter school properly track and account for facility-related projects?	✓	☐	☐
10.3	Does the charter school use its facilities fully in accordance with the Office of Public School Construction's loading standards?	✓	☐	☐
10.4	Does the charter school include facility needs (maintenance, repair, and operating requirements) when adopting a budget?	✓	☐	☐
10.5	Has the charter school conducted regular facilities inspections and resolved any			

		Yes	No	N/A
	outstanding issues?	✓	☐	☐
10.6	Does the charter school have an up-to-date long-range facilities master plan?	✓	☐	☐

11. Fund Balance and Reserve for Economic Uncertainty

		Yes	No	N/A
11.1	Is the charter school able to maintain the minimum reserve for economic uncertainty in the current year per best practices as defined by 5 CCR 15450?	✓	☐	☐
11.2	Is the charter school able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	☐	☐
11.3	If the charter school is not able to maintain the minimum reserve for economic uncertainty, does the multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
11.4	Is the charter school's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	✓	☐	☐
11.5	If the charter school has unfunded or contingent liabilities or one-time costs, does the unrestricted fund balance include any assigned or committed reserves above the recommended reserve level?	☐	☐	✓
11.6	Does the charter school have adequate cash reserves to ensure it can meet all financial obligations in the current and two subsequent years?	✓	☐	☐

12. General Fund – Current Year

		Yes	No	N/A
12.1	Does the charter school ensure that one-time revenues do not pay for ongoing expenditures?	✓	☐	☐
12.2	Is the percentage of the charter school's unrestricted budget that is allocated to salaries and benefits at or below the district statewide average for the current year?	✓	☐	☐
12.3	Is the percentage of the charter school's unrestricted budget that is allocated to salaries and benefits at or below the district statewide average for the two prior years?	✓	☐	☐
12.4	If the charter school 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 it addressing the complaint(s)?	☐	☐	✓
12.5	Does the charter school 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?	✓	☐	☐
12.6	Is the charter school using its restricted dollars fully by expending allocations for restricted programs within the required time?	✓	☐	☐
12.7	Does the charter school consistently account for all program costs, including the maximum allowable indirect costs, for each restricted resource?	☐	✓	☐

The school does not charge indirect costs at the maximum allowable rate for any restricted resource. Charter school staff indicated that indirect costs are not charged to programs that already receive a contribution from unrestricted resources, such as special education. Indirect cost charges give charter schools an efficient and standardized way to recover general management costs from programs when permissible. Charging each program the maximum allowable rate also allows the school to track the full, true cost of each program. The school should charge the full indirect cost rate to all allowable restricted programs even when it results in or increases a contribution from unrestricted funds.

13. Information Systems and Data Management

		Yes	No	N/A
13.1	Does the charter school use an integrated financial and human resources system? *The charter school uses ad hoc spreadsheets to project and manage human resource information.*	☐	✓	☐
13.2	Can the system(s) provide key financial and related data, including personnel information, to help the charter school make informed decisions?	✓	☐	☐
13.3	Has the charter school 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. Internal Controls and Fraud Prevention

		Yes	No	N/A
14.1	Does the charter school have controls that limit access to its financial system and include multiple levels of authorization?	✓	☐	☐
14.2	Are the charter school'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?	✓	☐	☐
14.3	Does the charter school ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP)	✓	☐	☐
	• Accounts receivable (AR)	✓	☐	☐
	• Purchasing and contracts.	✓	☐	☐
	• Payroll	✓	☐	☐
	• Human resources	✓	☐	☐
14.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
14.5	Does the charter school review and clear prior year accruals by first interim?	✓	☐	☐
14.6	Does the charter school reconcile all suspense accounts, including salaries and benefits, at least at each interim reporting period and at the close of the fiscal year?	✓	☐	☐
14.7	Has the charter school reconciled and closed the general ledger (books) within the time prescribed by the authorizer?	✓	☐	☐
14.8	Does the charter school have processes and procedures to discourage and detect fraud?	✓	☐	☐
14.9	Does the charter school maintain an independent fraud reporting hotline or other reporting service(s)? *The school does not maintain an independent fraud reporting hotline or other reporting service.*	☐	✓	☐
14.10	Does the charter school have a process for collecting and following up on reports of possible fraud? *The school lacks a formal process for collecting and following up on reports of possible fraud. Interviews with staff also indicated a lack of process or procedure to report fraud.*	☐	✓	☐
14.11	Does the charter school have an internal audit process? *The school does not have a formal internal audit process.*	☐	✓	☐

		Yes	No	N/A
14.12	Is the audit free of a management letter of recommendation?	✓	☐	☐

15. Leadership and Stability

		Yes	No	N/A
15.1	Does the charter school have a chief business official who has been with the entity more than two years?	✓	☐	☐
15.2	Does the charter school have a superintendent/chief executive officer (CEO) who has been with the entity more than two years? *The school director started with the school in July 2021.*	☐	✓	☐
15.3	Does the superintendent/CEO meet on a scheduled and regular basis with all members of their administrative team?	✓	☐	☐
15.4	Is training on financial management and budget provided to site and department administrators who are responsible for budget management?	✓	☐	☐
15.5	Is there adherence to a monthly schedule for board meetings?	✓	☐	☐
15.6	Are board meeting agendas and minutes posted to the charter school's website?	✓	☐	☐
15.7	Does the governing board adopt and revise policies, administrative regulations and/or bylaws annually?	✓	☐	☐
15.8	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?	✓	☐	☐
15.9	Are board members trained in areas such as the board's role, governance, board policy, human resources, and community relations every two years?	✓	☐	☐
15.10	Does the charter school have nonprofit exempt status that has not been revoked, denied or suspended?	✓	☐	☐
15.11	Is the charter school's management staff without a conflict of interest, defined as a related party with the CMO or other related service provider?	✓	☐	☐

16. Multiyear Projections

		Yes	No	N/A
16.1	Does the charter school develop multiyear projections for a minimum of two subsequent fiscal years?	✓	☐	☐
16.2	If the charter school has developed multiyear projections, do they include detailed assumptions that align with industry standards?	✓	☐	☐
16.3	To help calculate its multiyear projections, did the charter school prepare an accurate LCFF calculation with multiyear considerations?	✓	☐	☐
16.4	Does the charter school use its most current multiyear projection in making financial decisions?	✓	☐	☐

17. Debt and Risk Management

		Yes	No	N/A
17.1	Are the sources of repayment for debt {such as certificates of participation (COPs), bridge financing, revenue anticipation notes (RANS), selling of accounts receivables and other borrowing} stable, predictable, and other than unrestricted general fund? *The charter school has an outstanding construction loan of approximately $313,995, which is secured by and paid from the school's unrestricted general fund.*	☐	✓	☐
17.2	If the charter school has issued debt, has its credit rating remained stable or improved in the current or prior two fiscal years?	✓	☐	☐

		Yes	No	N/A
17.3	If the charter school is self-insured, does the charter have a recent (every two years) actuarial study and a plan to pay for any unfunded liabilities?	☐	☐	✓
17.4	If the charter school has debt (such as COPs, bridge financing, RANS, selling of accounts receivables and other borrowing), is the total of annual debt service payments no greater than 2% of the charter school's unrestricted general fund revenues?	✓	☐	☐

18. Position Control

		Yes	No	N/A
18.1	Does the charter school account for all positions and costs?	✓	☐	☐
18.2	Does the charter school reconcile budget, payroll, and position control regularly, meaning at least at budget adoption and interim reporting periods?	✓	☐	☐
18.3	Does the charter school identify a budget source for each new position before the position is authorized by the governing board?	✓	☐	☐
18.4	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	☐	✓	☐
	While governing board agendas include the approvals of some new positions and extra assignments, interviews indicated some positions are posted before board approval.			
18.5	Has the charter school adopted staffing ratios for certificated, classified, and administrative positions in the past three years, and are the ratios being followed?	☐	✓	☐
	Interviews with staff indicated the charter school has not officially adopted staffing ratios.			
18.6	Do managers and staff responsible for the charter school's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	✓	☐	☐

19. Special Education

		Yes	No	N/A
19.1	Does the charter school monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	✓	☐	☐
19.2	Does the charter school access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	✓	☐	☐
19.3	Does the charter school 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)?	☐	✓	☐
	While tools may be available through the Special Education Local Plan Area (SELPA), the charter school reported it does not use these resources and has not developed any on its own to determine added services.			
19.4	Does the charter school budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	☐	✓	☐
	The charter school does not charge indirect costs to special education, so the total costs of the program are not reflected.			
19.5	Is the charter school's rate of identification of students as eligible for special education comparable with countywide and statewide average rates?	☐	✓	☐
	Based on information from the California Department of Education Data Quest website, the charter school's 9.8% rate of identification is under both the statewide average of 12.4% and countywide average of 11.5% for 2020-21.			

19.6	If the charter receives federal funds, does the charter school analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	✓	☐	☐

Risk Score, 19 numbered sections only: 11.5%

Key to Risk Score from 19 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

Charter School Fiscal Solvency Risk Level, all FHRA factors: Low

(The material weakness section will affect the score above because it elevates the charter school's risk level.)