

Fiscal Health Risk Analysis

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San Bruno Park Elementary School District

Michael H. Fine
Chief Executive Officer

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About FCMAT

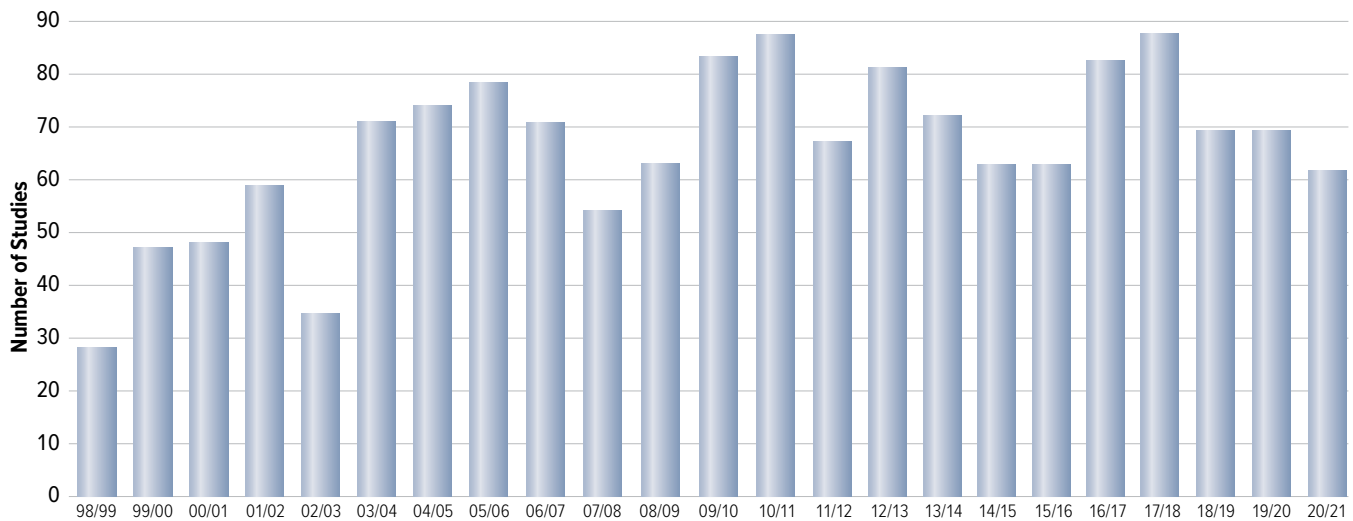
FCMAT’s primary mission is to assist California’s local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related 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.

Studies by Fiscal Year



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

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

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

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

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

Introduction

Background

Historically, FCMAT has not engaged directly with school districts showing distress until it has been invited to do so by the district or the county superintendent. The state's 2018-19 Budget Act provides for FCMAT to offer more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

- Disapproved budget
- Negative interim report certification
- Three consecutive qualified interim report certifications
- Downgrade of an interim certification by the county superintendent
- "Lack of going concern" designation

Under these conditions, FCMAT will perform a fiscal health risk analysis to determine the level of risk for insolvency. FCMAT has updated its Fiscal Health Risk Analysis (FHRA) tool that weights each question based on high, moderate and low risk. The analysis will not be performed more than once in a 12-month period per district, and the engagement will be coordinated with the county superintendent and build on their oversight process and activities already in place per Assembly Bill (AB) 1200. There is no cost to the county superintendent or to the district for the analysis.

This fiscal health risk analysis is being conducted because the district had the following condition(s), under which an analysis is required by the 2018-19 State Budget Act.

- "Lack of going concern" designation

Located in the city of San Bruno in northern San Mateo County, the San Bruno Park Elementary School District has a five-member elected governing board and serves grades kindergarten through eight in five elementary schools and one intermediate school. The district also offers preschool and transitional kindergarten at select elementary school sites. Many individuals working in the district are longtime residents of the community.

Since 2014-15, the district's enrollment has declined by more than 25.3%, or an average of 101 students per year, to a total enrollment of 2,087. In 2020-21 (the latest data available), the unduplicated count of English learner, socioeconomically disadvantaged, and foster youth students equaled 45.6% of total enrollment.

The district's 2021-22 second interim report shows a current year operating budget of \$38.4 million, of which 63.5%, or \$24.4 million, is in the form of unrestricted local property tax revenues. This property tax amount is greater than the district's 2021-22 local control funding formula (LCFF) entitlement by approximately \$3 million, making it a basic aid district. School districts in which local property taxes exceed the district's annual LCFF obligation are commonly referred to as "basic aid" districts; they can keep the excess local revenue and use it for any educational programs and services at their discretion.

On December 08, 2021, the San Mateo County Superintendent of Schools identified the district as a lack of going concern, citing mainly issues brought about by a breakdown in leadership and communication, inattention to enrollment and attendance reporting, and insufficient budget monitoring.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the San Bruno Park Elementary School District on February 16, 2022, and a study team visited the district on April 11 through 13, 2022, to conduct interviews, collect data and review documents. 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:

Erin Lillibridge, CFE
Intervention Specialist

Marcus Wirowek, CFE
Intervention Specialist

John Lotze
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 K-12 School Districts

Date(s) of fieldwork: April 11-13, 2022

District: San Bruno Park Elementary School District

Summary

In concurrence with the issues noted by the San Mateo County Superintendent of Schools' lack of going concern determination, FCMAT's Fiscal Health Risk Analysis identified risks in the areas of leadership and stability, enrollment and attendance, and budget development and monitoring.

Ongoing turnover of key district administrators, namely the superintendent and chief business official (CBO) positions, has largely influenced the risk factors identified in this report. The district has had five superintendents in six years, and four CBOs over the last five years. In interviews, FCMAT confirmed a similar trend throughout the ranks of certificated and classified management, with virtually every district administrator and several school site administrators identified as a recent hire or new to their position at the start of, or at some point during, the current school year. The county office of education provided the district's middle school with additional administrative staff to support student health and safety needs in the current school year.

When prior administrators exited and members of the new administration assumed their roles, there was little transfer of information and continuity regarding the district's established plans, such as the closure of Rollingwood Elementary School. Although the governing board approved the school's closure as a budget balancing solution in 2018, the district had yet to implement a closure plan even when faced with significant declining enrollment. Since 2014-15, the district has lost more than 25% of its student enrollment.

The district lacks procedures to accurately project enrollment and attendance, and to monitor and analyze student attendance monthly. As a basic aid district, the district's unrestricted funding level is determined primarily by its local property tax revenue rather than by student attendance. However, accurate enrollment and attendance projections are necessary to staff classrooms, school sites and programs in a cost-efficient manner, and to effectively plan for and manage future changes. Student attendance data is also essential for monitoring and evaluating the district's progress in achieving program goals outlined in its Local Control and Accountability Plan (LCAP).

Historically, the district has lacked processes and procedures to ensure community and other groups' engagement in the LCAP and budget development process because of the continued turnover in district and business office leadership. Turnover in the business office, educational services, and superintendent leadership has prevented the district from developing and maintaining transparent budget development and monitoring processes with consistency and fidelity. The lack of input and transparency has led to misinformation and distrust, resulting in governance issues, such as the governing board's initial rejection of the district's 2021-22 adopted budget.

Ultimately, the governing board is responsible for the district's budget. Management has the responsibility to maintain the integrity of the district's systems, to secure the district's assets, and to present sound financial information based on current and accurate data for the board to consider when making decisions to protect the district's fiscal solvency.

District Fiscal Solvency Risk Level: High

About the Analysis

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

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and lack of attention to these critical areas will eventually lead to a district's failure. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

The greater the number of "no" answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal

issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily in calculating a district’s fiscal stability. To help the district, narratives are included for responses that are marked as a “no” so the district can better understand the reason for the response and actions that may be needed to obtain a “yes” answer.

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

Areas of High Risk

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

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

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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.4 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.3 Are all charters authorized by the district going concerns and not in fiscal distress?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance? ✓
- 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	0.0%
2.	Budget Development and Adoption	2.0%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	0.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	1.0%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	0.0%
10.	Enrollment and Attendance	4.5%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	0.8%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	2.0%
16.	Leadership and Stability	2.2%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	0.0%
20.	Special Education	0.7%
Score		18.1%

Fiscal Health Risk Analysis Questions

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

1. Annual Independent Audit Report	Yes	No	N/A
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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.)	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits?	✓	<input type="checkbox"/>	<input type="checkbox"/>

2. Budget Development and Adoption	Yes	No	N/A
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	<input type="checkbox"/>	✓	<input type="checkbox"/>

In interviews, staff indicated the 2021-22 and prior budgets had been developed with limited engagement from affected parties because of frequent turnover in district and business office leadership.

The district has identified this as a priority area for improvement and development. Interviews overwhelmingly confirmed progress in engaging a wide array of affected groups, individuals and departments in the development process underway for the 2022-23 LCAP and budget.

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

The district does not consistently expend restricted funds before unrestricted funds. A review of the district's unaudited actuals reports for 2018-19, 2019-20, and 2020-21 shows the following restricted carryover and fund balances:

As of June 30th	2019	2020	2021
Carryover (Unused Grants)	68,341	265,699	84,430
Restricted Fund Balance	679,321	2,081,592	2,564,052
Total	747,662	2,347,291	2,648,481

The significant increase in restricted fund balance for the period ending June 30, 2019 to June 30, 2020 was primarily in the category of local revenue (redevelopment agency funds). The 2020-21 restricted fund balance includes amounts for the Low-Performing Student Block Grant and State Learning Loss Mitigation Funds, which were available for expenditure or encumbrance only through June 30, 2021 and will need to be returned to the state.

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?

For the 2020-21 fiscal year, the county's budget letter indicates the county superintendent of schools received the district's 2020-21 budget on July 21, 2020, after the statutory deadline of July 1.

For the 2021-22 fiscal year, board minutes showed the district held a public hearing on the proposed 2021-22 LCAP and budget on June 2, 2021. The board subsequently approved the LCAP on June 16, 2021, but approved the budget on June 30, 2021, after the board's initial rejection on June 16, 2021.

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?

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

The district does not use a budget calendar to organize and direct its budget and LCAP development. Best practice is to develop and adhere to a detailed budget calendar, including statutory due dates, major development tasks and deadlines, and staff members and departments responsible for completion.

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 that support budget revisions communicated to the board at each interim report, at a minimum?

3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Do the district’s responses fully explain the variances identified in the criteria and standards?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district does not prohibit the processing of requisitions or purchase orders when a budget account balance is insufficient to support an expenditure. However, staff reported that the fiscal controller and CBO positions review and approve all purchase requisitions before creating a purchase order and initiating the purchase with a vendor to ensure the purchase is consistent with budgeted expenditures.</i>			
3.8	Does the district encumber and adjust encumbrances for salaries and benefits?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district reconciles balance sheet accounts at year-end close and is developing procedures to implement a monthly close process.</i>			
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>

4. Cash Management **Yes** **No** **N/A**

4.1	Are accounts held by the county treasurer reconciled with the district’s and county office of education’s reports monthly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.4	If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.7	If the district is managing cash in any fund(s) through external borrowing, does the district’s cash flow projection include repayment based on the terms of the loan agreement?	<input type="checkbox"/>	<input type="checkbox"/>	✓

5. Charter Schools **Yes** **No** **N/A**

5.1	Does the district have a board policy or other written document(s) regarding charter oversight?	<input type="checkbox"/>	<input type="checkbox"/>	✓
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5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.4	Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?	<input type="checkbox"/>	<input type="checkbox"/>	✓

6. Collective Bargaining Agreements **Yes** **No** **N/A**

6.1	Has the district settled with all its bargaining units for the past two fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Has the district settled with all its bargaining units for the current year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<p><i>The multiyear financial projection shows step and column increases cost around 2% annually. The district gave salary schedule increases of 2% in 2019-20, 2% in 2020-21, 4% in 2021-22, and approved a 5.5% increase for 2022-23. In 2020-21, the district also provided a one-time bonus payment of 4%.</i></p> <p><i>Combined with step and column, these increases were more than the funded COLA. The funded COLAs were 3.26% for 2019-20, 0.00% for 2020-21, and 5.07% for 2021-22. These increases were funded by increases in local property taxes.</i></p>			
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)?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.9	Is the governing board’s action consistent with the superintendent’s and CBO’s certification?	✓	<input type="checkbox"/>	<input type="checkbox"/>

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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<p><i>The district’s most significant contribution from the unrestricted general fund is to the special education program. At the time of FCMAT’s review, the district did not have a board-approved plan to eliminate, reduce or control any contributions or transfers from the unrestricted general fund to restricted programs and funds.</i></p>			

7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Deficit Spending (Unrestricted General Fund) **Yes** **No** **N/A**

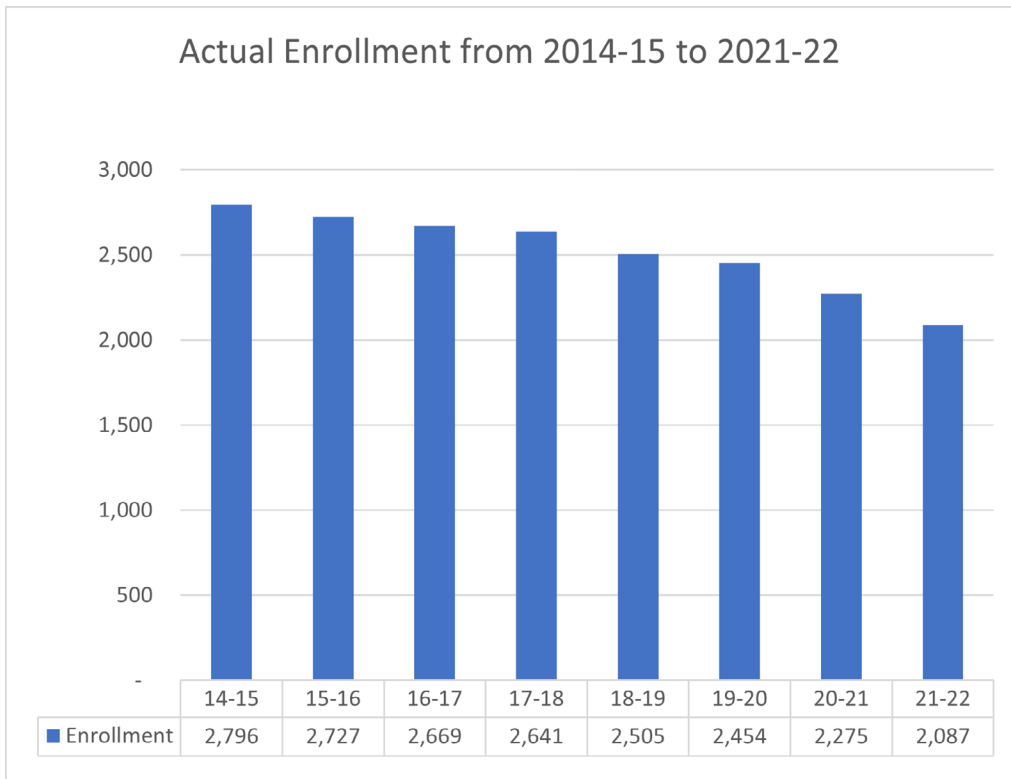
8.1	Is the district avoiding deficit spending in the current fiscal year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years? <i>The district's multiyear financial projections presented with its 2021-22 second interim report show a projected deficit of \$92,171 in 2023-24.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency? <i>The district does not have a board-approved plan to address the modest deficit projected in 2023-24; however, staff continue to monitor revenues and expenditures closely and maintain updated multiyear financial projections.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8.4	Has the district decreased deficit spending over the past two fiscal years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.3	Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.5	Does the district track, reconcile and report employees' compensated leave balances?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. Enrollment and Attendance **Yes** **No** **N/A**

10.1	Has the district's enrollment been increasing or remained stable for the current and two prior years? <i>The district's enrollment has declined annually since 2014-15, resulting in a total cumulative decline of 25.4% in the last seven years.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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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)? ✓

The district does not have a procedure in place to monitor and analyze enrollment and average daily attendance (ADA) at least monthly through the second attendance reporting period (P2).

In interviews, staff indicated that the district recently implemented a new student information system and is developing procedures to ensure it analyzes enrollment and ADA monthly to make sure they align with estimates used in budget development.

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

The district does not have a process in place to track historical enrollment and ADA data by grade level and school site for use in enrollment projections. The 2021-22 budget criteria and standards showed the district historically does not accurately project enrollment and attendance in its budget development.

In interviews, staff indicated that the district is developing a process to track historical enrollment and ADA data by grade level and school site to establish trends for future projections.

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?
In the 2021-22 budget, the district used an enrollment total of 2,274 for the 2021-22, 2022-23, and 2023-24 school years, even though the district had lost an average of close to 87 students per year since 2014-15.
- 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?
The district does not have processes and procedures for school sites and departments to review and verify their respective CALPADS data and correct it as needed before the report submission deadlines. The district had been contracting with a third party to oversee its CALPADS reporting requirements, but staff indicated in interviews that the contract had recently been terminated. At the time of FCMAT’s review, the district had no plan to address this ongoing critical need.
- 10.8 Has the district planned for enrollment losses to charter schools?
- 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?.
- 10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?

11. Facilities

Yes No N/A

- 11.1 If the district participates in the state’s School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?
- 11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?
- 11.3 Does the district properly track and account for facility-related projects?
- 11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction’s loading standards?
As a result of declining enrollment, the district underuses its facilities. The governing board approved the closure of a school in 2018; however, the district has yet to follow through with that closure. Interviews indicated the district plans to close the school at the end of the 2022-23 school year.
- 11.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?
- 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?
- 11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens’ bond oversight committee?
- 11.8 Does the district have long-range facilities master plan that reflects its current and projected facility needs?.
The district does not have an approved and current long-range facilities master plan. However, in interviews, staff reported that a facilities master plan is being developed.

12. Fund Balance and Reserve for Economic Uncertainty		Yes	No	N/A
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	✓
12.4	Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>

13. General Fund – Current Year		Yes	No	N/A
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	✓	<input type="checkbox"/>	<input type="checkbox"/>
13.2	Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
13.3	Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
13.4	If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?	<input type="checkbox"/>	<input type="checkbox"/>	✓
13.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	<input type="checkbox"/>	✓	<input type="checkbox"/>

In several instances, the district did not use restricted dollars fully within the required time. The following is a list of funds the district has returned or plans to return to the California Department of Education:

- *Coronavirus Relief Fund: Learning Loss Mitigation: \$4,236*
- *Tobacco Use Prevention Education: \$3,000*
- *State Learning Loss Mitigation Funds: \$57,592*
- *Low-Performing Students Block Grant: \$12,447*

13.7	Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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The district does not charge the full allowable indirect cost rate to its restricted resources. The district should budget and charge the maximum allowable indirect costs to all restricted programs and funds, including special education, to reflect the true costs of these programs.

14. Information Systems and Data Management		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.2	Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.4	Is the district using the same financial system as its county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>	✓
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?	<input type="checkbox"/>	<input type="checkbox"/>	✓
15. Internal Controls and Fraud Prevention		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?			
	• Accounts payable (AP)	✓	<input type="checkbox"/>	<input type="checkbox"/>
	• Accounts receivable (AR)	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>In interviews, FCMAT found the district does not have a process to review and approve bank reconciliations.</i>			
	• Purchasing and contracts.	✓	<input type="checkbox"/>	<input type="checkbox"/>
	• Payroll	✓	<input type="checkbox"/>	<input type="checkbox"/>
	• Human resources (i.e., duties relative to position control and payroll processes)	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.5	Does the district review and work to clear prior year accruals throughout the year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.7	Does the district have processes and procedures to discourage and detect fraud?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Interviews with staff and documentation received by FCMAT did not provide evidence that the district has comprehensive fraud detection controls or programs.</i>			
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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district lacks a formal process for collecting and following up on reports of fraud. Interviews with staff also indicated a lack of process or procedure to report fraud.</i>			

15.9 Does the district have an internal audit process?
The district does not have an internal audit process.

16. Leadership and Stability **Yes No N/A**

16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years?

16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years?

The district is in its final phase of recruiting a superintendent for the 2022-23 fiscal year. However, since 2015, the district has experienced frequent turnover in its superintendent position.

- *Former superintendent: November 2002 – June 2015*
- *Former superintendent: July 2015 – June 2017*
- *Former superintendent: August 2017 - June 2019*
- *Former superintendent: August 2019 - June 2020*
- *Former superintendent: July 2020 - December 2021*
- *Current superintendent (interim): January 2022 to June 2022*

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?

Although staff reported that minor, informal training has occurred as needed, there was an interest from those interviewed to understand the district, site, and department budgets in greater detail. The district lacks a schedule for regular budget management and financial training for site and department staff.

16.5 Does the governing board adopt and revise policies and administrative regulations annually?

16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?

16.7 Do all board members attend 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 district did not provide evidence that it performed the superintendent’s evaluation in accordance with contract terms.

17. Multiyear Projections **Yes No N/A**

17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?

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

17.3 Does the district use its most current multiyear projection in making financial decisions?

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

18. Non-Voter-Approved Debt and Risk Management **Yes No N/A**

18.1 Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others) stable, predictable, and other than unrestricted general fund?

18.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?

18.3 If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?

18.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?

19. Position Control **Yes No N/A**

19.1 Does the district account for all positions and costs?

19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment?

19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?

19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?

19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?

19.6 Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?

20. Special Education **Yes No N/A**

20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?

20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?

20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?

20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?

The district does not charge indirect costs to special education. The district should budget and charge the maximum allowable indirect costs to reflect the true costs of its special education program.

- | | | | | |
|------|---|---|---|---|
| 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 11.9%, which was higher than the countywide rate of 11.8% but lower than the statewide rate of 12.6% 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? | ✓ | □ | □ |

Risk Score, 20 numbered sections only: **18.1%**

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.)