



FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Fiscal Health Risk Analysis

November 29, 2022



# Sausalito Marin City School District

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Chief Executive Officer

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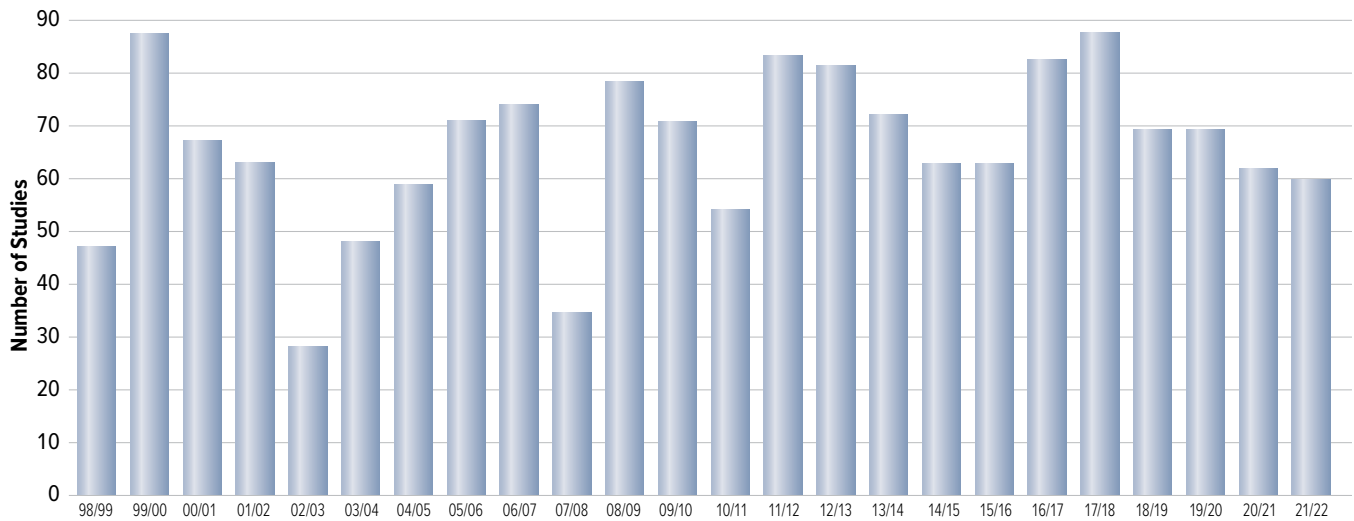
# About FCMAT

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

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

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

## Studies by Fiscal Year



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

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

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

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

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

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

# Introduction

## Background

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

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

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

This fiscal health risk analysis is being conducted because the district received a lack of going concern designation, under which an analysis is required by the 2018-19 State Budget Act.

Located in Marin County, the Sausalito Marin City School District has a five-member governing board and serves approximately 394 students in grades TK-8 at one school, which is located on two campuses. In July 2021, the Willow Creek Academy charter school merged with the district. According to data from the California Department of Education (CDE), student enrollment for the two local educational agencies (LEAs) combined peaked at 558 students in 2016-17 and has decreased each year since then. The district's 2021-22 California Longitudinal Pupil Achievement Data System (CALPADS) records show that the unduplicated pupil percentage, which includes those students who qualify for free and reduced-price meals, and/or are English learners and/or are foster youth, is 59.39%.

The Sausalito Marin City School District is a basic aid district, which means the district is funded by local property tax revenues that are more than what the state's Local Control Funding Formula (LCFF) would provide. The district's 2019-20 and 2020-21 unaudited actuals reports show deficit spending of \$97,456 and \$24,913, respectively, in the unrestricted general fund. The district certified its 2021-22 first and second interim financial reports as qualified, and its 2021-22 second interim report shows projected deficit spending of \$32,523 in the budget year, with an unrestricted general fund ending balance of \$540,677.

In January 2022, the Marin County Office of Education assigned a fiscal expert to the district. On March 25, 2022, the county office issued a lack of going concern designation letter to the district, citing the continued deterioration of the district's financial condition.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency. Based on the date of the lack of going concern designation, the 2021-22 second interim was used as the financial reporting period for FCMAT's analysis.

## Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Sausalito Marin City School District in April 2022, and a study team visited the district and the Marin County Office of Education on September 13-15, 2022 to conduct interviews and collect data. 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:

Diane Branham  
FCMAT Chief Analyst

Marisa Ploog, CPA, CFE, CICA, CGMA  
FCMAT Intervention Specialist

John Lotze  
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 K-12 School Districts



FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

Date(s) of fieldwork: September 13-15, 2022

District: Sausalito Marin City School District

## Summary

Since 2019-20 the Marin County Office of Education's oversight letters have advised the district to maintain reserve levels higher than the state-required minimum to ensure sufficient cash for operating purposes, unanticipated expenditures, cash flow deferrals, and economic uncertainties. The 2021-22 second interim letter from the county office indicated that the district projected it would not meet the minimum reserve requirement in 2021-22 without borrowing from its special reserve for capital outlay fund and stated that further budget deterioration had been identified in the projections for the two subsequent years.

At the second interim reporting period, the district projected it would meet the state-required 4% minimum reserve for economic uncertainties, with 4.22% total available general fund reserves in 2021-22. However, Board Policy 3100 adopted January 14, 2014, states:

To protect the district against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least two months of general fund operating expenditures, or 17 percent of general fund expenditures and other financing uses.

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

Districts that maintain healthy financial reserves and cash balances and proactively manage budget adjustments and reductions before an economic downturn are in a better position to weather an economic crisis. Districts with minimal reserves and/or cash balances may be forced to make more drastic cuts to remain fiscally solvent.

The fiscal health risk analysis shows the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to the district's fiscal distress. Of significant concern is the lack of an experienced, qualified chief business official (CBO). The former CBO resigned after approximately five months with the district, and at the time of FCMAT's fieldwork the position had been vacant for more than seven months. The district is using a consulting firm to perform some of the CBO duties, and the business office consists of one clerical employee. The consulting firm is not involved in labor negotiations and is not made aware of all budget issues in a timely manner. This void in the business office degrades capacity and could result in significant budget errors and ongoing financial solvency issues.

At the time of FCMAT's fieldwork, the position of executive assistant to the superintendent had been vacant for approximately one month. This position is responsible for preparing board meeting minutes, but the study team found the minutes to be in disarray and often unusable for completing this FHRA. For example, minutes from numerous board meetings could not be found on the district's website, and some minutes presented to the board for approval did not include all the items from their respective agendas. In addition, many of the documents FCMAT requested from the district for review and analysis were not provided.

The district's budget development process does not include input from school or department administrators regarding their respective budgets. These individuals have not been provided with budget training, do not have online access to their budgets, and do not receive budget reports routinely from the district office. Rather than the business office providing this information to school and department administrators and district administration holding them accountable for managing their budgets, school and department administrators typically contact the superintendent or CBO for purchase approval. This is an inefficient use of staff time and can result in negative budget balances.

Following completion of the 2021-22 second interim financial report, the fiscal expert assigned by the county office implemented a position control system that is integrated with the district's financial system. District staff will need to be trained and cross-trained to use the position control system, ensure it is updated routinely, and continue to ensure that the information is complete and accurate so it can be used for budget development and at each financial reporting period.

The district's significant risk factors include, but are not limited to, budget development and monitoring; analysis and disclosure of tentative collective bargaining agreements; enrollment and attendance projections, analysis, processes, and procedures;

internal controls; and instability in business office leadership. These factors require considerable staff training and cross-training, documentation of procedures, and a significant focus on budget development and monitoring functions to ensure accuracy of the budget, multiyear financial projections, and cash flow projections. These risk factors will also require the governing board and administrators to continue to make and implement difficult decisions to ensure that the district remains fiscally solvent. Failure to act quickly and decisively may result in fiscal insolvency and its severe consequences, including the loss of local control and governance.

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

**District Fiscal Solvency Risk Level: High**

**About the Analysis**

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

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

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

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

**Areas of High Risk**

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

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

<b>Material Weakness Questions</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?. . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.4	If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
10.6	Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?. . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
19.1	Does the district account for all positions and costs? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>

## Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.2%
2.	Budget Development and Adoption	5.1%
3.	Budget Monitoring and Updates	7.4%
4.	Cash Management	1.6%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	4.9%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	0.8%
10.	Enrollment and Attendance	5.7%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	1.2%
14.	Information Systems and Data Management	2.9%
15.	Internal Controls and Fraud Prevention	8.4%
16.	Leadership and Stability	3.9%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	5.5%
20.	Special Education	2.3%
<b>Score</b>		<b>55.1%</b>

# Fiscal Health Risk Analysis Questions

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

<b>1. Annual Independent Audit Report</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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- |     |  |                                     |                                     |                          |
|-----|--|-------------------------------------|-------------------------------------|--------------------------|
| 1.1 | Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health? . . . . .  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|     | <i>Documents provided by the district do not show that corrective action has been taken to resolve the circumstances that resulted in the 2020-21 audit findings.</i>  |                                     |                                     |                          |
| 1.2 | Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.) . . . . .   | <input checked="" type="checkbox"/> | <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 checked="" type="checkbox"/> | <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 checked="" type="checkbox"/> | <input type="checkbox"/> |
|     | <i>The district audit for the fiscal year ended June 30, 2021 contained the following three audit findings, two of which were repeated from the 2019-20 fiscal year.</i>   |                                     |                                     |                          |
|     | <i>2021-001 Advance authorization of purchases and documentation (repeat finding) – No documents showing the district implemented corrective action were provided to FCMAT. However, interviews indicated the district has instituted procedures for procurement including initiating all purchases through a purchase requisition process that requires two administrative approvals, followed by preparation of a purchase order that requires one administrative approval, all in advance of purchase. Interviews with staff indicated that these improved processes are being implemented.</i>               |                                     |                                     |                          |
|     | <i>2021-002 Administrator-to-teacher ratio (repeat finding) – The district provided a copy of a corrective action certification; however, it was not executed. The initial district response narrated in this corrective action plan indicates assurance of future compliance, but the district’s follow-up response acknowledges failure to comply and accrual of the liability to pay the resulting penalty. At the time of FCMAT’s fieldwork, there was no indication that the district was in compliance during the 2021-22 fiscal year or that it will be in compliance during the 2022-23 fiscal year.</i> |                                     |                                     |                          |
|     | <i>2021-003 Documentation of district of choice requests (new finding) – The district indicates in the corrective action plan section of the audit finding that changes will be made to ensure documents are properly maintained and available for audit. However, no documents were provided to FCMAT to support the changes.</i>   |                                     |                                     |                          |

2. Budget Development and Adoption		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The May 13, 2021 board agenda included an item titled Consider Approval of 2021-2022 Budget Adoption Revenue and Expenditure Base Assumptions. The PowerPoint presentation included some but not all of the key assumptions used to develop the budget and multiyear projections. For example, the information provided did not include items such as step-and-column cost percentages, the consumer price index, or percentage increases for supplies and utility costs. The document stated that some of the factors were based on the governor’s proposed 2021-22 state budget.</i></p> <p><i>A complete list of key assumptions was not provided in the board materials when the budget was presented at the public hearing on June 10, 2021 or when it was presented for adoption on June 17, 2021. Therefore, it is unknown if the most current information available at the time, including information from the May revision of the governor’s budget, was used to develop the district’s budget and multiyear projections.</i></p>			
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3	Does the district use position control data for budget development? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>Interviews indicated that the position control system, which is integrated with the district’s financial software, was developed in spring 2022 and therefore was not used for 2021-22 budget development. Based on the documents provided, the district has historically used a simple but incomplete spreadsheet to document filled positions, salaries and benefits, but it is not known whether this spreadsheet was used for budget development.</i></p>			
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . .	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The district established a budget advisory committee (which held its first meeting in February 2022) to provide recommendations regarding budget reductions, and the district has an LCAP/budget committee. Both committees include two board members; however, a complete membership list for each committee was not provided to FCMAT. Interviews indicated that the 2021-22 budget development process did not include input from staff or school and department managers.</i></p>			
2.7	Does the district budget and expend restricted funds before unrestricted funds? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The Consolidated Application 2020-21 Title I, Part A LEA Carryover form shows that the district exceeded the allowable 15% carryover limit by \$37,170 and applied for a waiver to allow it to keep these funds. In addition, the 2020-21 unaudited actuals report shows a balance of \$32,153 in mental health services funds.</i></p>			

- 2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year? . . . . .
- 2.9 Has the district refrained from including carryover funds in its adopted budget? . . . . .     
*No evidence was provided to indicate when carryover funds are budgeted and distributed to school sites and departments.*
- 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? . . . . .     
*No evidence was provided to indicate if the district avoids 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? . . . . .     
*No evidence of a documented policy or procedure was provided, and interviews indicated that the district lacks a procedure for evaluating the potential multiyear impact of proposed grants before they are accepted.*
- 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? . . . . .     
*A district budget calendar was not provided to FCMAT.*

**3. Budget Monitoring and Updates**

**Yes No N/A**

- 3.1 Are actual revenues and expenses consistent with the most current budget? . . . . .     
*A financial system detail report was not provided to FCMAT; therefore, it is unknown whether actual revenues and expenses were consistent with the 2021-22 second interim report. However, the 2020-21 audit report states that general fund expenditures exceeded appropriations in four major object code categories.*
- 3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? . . .
- 3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum? . . . . .     
*The 2021-22 first interim report materials provided at the December 16, 2021 board meeting contained a budget narrative that included many but not all of the key assumptions used to develop the interim budget and multiyear financial projections. For example, the narrative did not provide student enrollment and attendance projections for the subsequent years or projected percentage increases for property taxes and health and welfare benefits. The document included the School Services of California, Inc. financial projection dashboard but did not discuss which of the dashboard items were included in the district’s first interim budget and multiyear projections.*  
*The 2021-22 second interim report materials provided at the March 10, 2022 board meeting contained a budget narrative that included many but not all of the key assumptions used to develop the interim budget and multiyear financial projections. For example, the narrative document did not provide student attendance projections or projected percentage increases for health and welfare benefits.*

- 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? . . . . .
- 3.5 Do the district’s responses fully explain the variances identified in the criteria and standards? .     
*The 2021-22 second interim report did not include a complete response for Criterion 3, ADA to Enrollment. Although the ratio of average daily attendance (ADA) to enrollment was projected at 109.9% in 2022-23 and 2023-24, the explanation provided did not indicate why ADA was projected to be higher than enrollment.*
- 3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? . . . . .     
*The 2019-20, 2020-21 and 2021-22 county office letters advised the district to maintain reserve levels higher than the state-required minimum to ensure sufficient cash for operating purposes, unanticipated expenditures, cash flow deferrals, and economic uncertainties.*  
*The 2020-21 first and second interim letters indicated that the district continued to meet the minimum reserve requirement but noted a deterioration in the district’s budget, with projected deficit spending in the budget year and several ongoing fiscal challenges.*  
*The 2021-22 first and second interim letters indicated the county office’s concurrence with the district’s qualified budget certification at each reporting period, and both letters noted deficit spending in the general fund. The first interim letter indicated that the district projected it would not meet the minimum reserve requirement in 2021-22. The second interim letter indicated that the district projected it would not meet the minimum reserve requirement in 2021-22 without borrowing from its special reserve for capital outlay fund and stated that further deterioration had been identified in the projection of the two subsequent years’ budgets. The April 15, 2022 letter from the county office states, “...on March 25, 2022, we issued a Notice of Lack of Going Concern to the district identifying the continued deterioration of the budget resulting from a lack of budget and cash monitoring as the basis of our determination.”*
- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? . . . . .     
*A financial system detail report was not provided to FCMAT; however, the 2020-21 audit report states that general fund expenditures exceeded appropriations in four major object code categories: certificated salaries, classified salaries, books and supplies, and services and other operating expenses. Interviews indicated that the financial software provides a warning rather than a hard stop when a requisition is entered against an account that has an insufficient budget.*
- 3.8 Does the district encumber and adjust encumbrances for salaries and benefits? . . . . .     
*A financial system detail report was not provided to FCMAT; therefore, it is unknown whether the district encumbers and adjusts encumbrances for salaries and benefits.*
- 3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close? . . . . .     
*No evidence was provided to show when balance sheet accounts are reconciled.*
- 3.10 For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?. . . . .

According to the district's board agendas, the 2021-22 first interim report was presented to the board for approval on December 16, 2021. According to Education Code Section 42130, the report should have been approved by December 15, 2021.

<b>4. Cash Management</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
4.1	Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? . . . . .	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>No evidence was provided to show that bank accounts are reconciled monthly.</i>			
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district's Cash Flow Report 07/01/2021-01/31/2022 shows that the cafeteria fund had a negative ending cash balance each month from July through December 2021. Interviews indicated that the cafeteria fund requires a contribution from the general fund to support the organic, scratch cooking program that has been implemented, and the second interim report includes projected transfers to the cafeteria fund of \$284,541 in 2021-22 and \$172,541 in each subsequent year.</i>			
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4.7	If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>5. Charter Schools</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
5.1	Does the district have a board policy or other written document(s) regarding charter oversight? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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"/>	<input checked="" type="checkbox"/>
5.3	Are all charters authorized by the district going concerns and not in fiscal distress? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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"/>	<input checked="" type="checkbox"/>
<b>6. Collective Bargaining Agreements</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
6.1	Has the district settled with all its bargaining units for the past two fiscal years? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Has the district settled with all its bargaining units for the current year? . . . . .	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>

The district prepared a disclosure of collective bargaining agreement for each of its most recent three-year tentative agreements with its employee groups. However, detailed calculations demonstrating the cost and ongoing fiscal impact of each settlement were not provided. As a result, FCMAT cannot verify whether those calculations were performed accurately. However, a base level review of calculations within each disclosure identified inaccuracies and deficiencies, including incomplete sections disclosing the increase in step-and-column costs resulting from the agreement and the ongoing impact of those increased costs, and a declaration of reduction in full-time equivalent positions (FTE) in the narrative with no corresponding reduction of FTE in the presentation of fiscal impact.

- 6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? . . . . .  ✓

The district prepared a disclosure for each of its most recent three-year tentative agreements with its employee groups. Each multiyear agreement included salary increases for fiscal years 2019-20, 2020-21, and 2021-22. No documents supporting a presettlement cost analysis and underlying calculations were provided. Although the disclosure identified property tax growth and expenditure reductions to fund the negotiated salary increases, no documents were provided to support details of identified reductions in fiscal years 2020-21 and 2021-22.

- 6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)? . . . . .  ✓

The disclosures indicated increases in total compensation that exceed the annual COLA, as shown in the table below:

	2019-20	2020-21	2021-22
COLA	3.26%	2.31%	5.07%
SDTA	2.80%	2.31%	2.31%
CSEA	4.97%	10.18%	14.22%
Management	3.80%	6.63%	8.83%

The accuracy of the disclosures prepared for each group could not be determined without supporting documents, including detailed calculations. In addition, although negotiations with classified employees were settled for 2019-20 through 2021-22, the collective bargaining agreement for classified staff provided to FCMAT and posted on the district’s website was dated July 1, 2016-June 30, 2019 and did not include negotiated salary settlements.

- 6.6 If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district’s proposal(s)? . . . . .   ✓

- 6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? . . . . .  ✓

The disclosure for Marin County school districts states that it is to be signed by the superintendent and CBO and provided to the county superintendent for review 10 days before the board meeting at which the agreement is ratified. Each disclosure provided to FCMAT was signed fewer than 10 days before the governing board took action; this suggests that those provided to the county office were either not signed or that the 10-day requirement was not met. No documents were provided showing the

county office's review and comment on any of the disclosures or whether any budget adjustments were necessary.

The district's governing board approved a three-year agreement with the certificated employee bargaining unit on June 20, 2019, and a memorandum of understanding (MOU) with the certificated employee bargaining unit was presented for approval at the May 13, 2021 board meeting. The district prepared a disclosure for the three-year agreement; however, the MOU included an increase of four workdays to the 2021-22 salary schedule but no disclosure was provided in the May 13, 2021 board materials.

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

Although the disclosure states that it is to be signed by the superintendent and CBO and provided to the county superintendent for review 10 days before the board meeting at which the agreement is ratified, the disclosure of the agreement with the Sausalito District Teachers Association (SDTA) provided in the June 20, 2019 board materials was signed on June 17, 2019. The disclosures of the agreements with the California School Employees Association (CSEA) and classified management, confidential classified and principals were included in the June 26, 2019 board materials but did not contain signatures of the superintendent or CBO; those provided to FCMAT were signed the day of and the day after the board approved the disclosures.

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

**7. Contributions and Transfers** **Yes No N/A**

7.1 Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds? . . . . .

Contributions to restricted resources were \$1,239,446 in 2019-20, \$1,873,014 in 2020-21, and projected to be \$2,586,464 at 2021-22 second interim. The district also transferred to the cafeteria fund \$91,422 in 2019-20, \$110,339 in 2020-21, and projected to transfer \$284,541 at 2021-22 second interim. Interviews indicated that the district does not have a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.

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

7.3 If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels? . . . . .

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

8.1 Is the district avoiding deficit spending in the current fiscal year? . . . . .     
 The 2021-22 second interim financial report projects deficit spending of \$32,523 in the budget year.

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

8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency? . . . . .

*The May 12, 2022 board agenda included the following items:*

*Consider Approval of Budget Advisory Committee Recommendations to reduce 22-23 Budget,*

*Consider Approval of Final Certificated Layoff Resolution #840 21-22, and*

*Consider Approval of Final Classified Layoff Resolution #841 21-22.*

*However, the approved meeting minutes were not available on the district’s website and were not provided to FCMAT, so it is unknown if the board approved these agenda items.*

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

**9. Employee Benefits**

**Yes No N/A**

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

9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district’s unrestricted general fund revenues? . . . . .

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

*Article X of the collective bargaining agreement with the CSEA allows employees to carry over a maximum number of vacation days based on years of employment. However, the district provided no documents that show accrued vacation balances.*

9.4 Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? . . . . .

9.5 Does the district track, reconcile and report employees’ compensated leave balances? . . . . .

*Although Articles X and XI of the collective bargaining agreement with the CSEA address vacation and leave, the district has failed to accurately track, record and monitor leave taken and accrual balances. Interviews indicated that time taken and reported as vacation by multiple staff exceeded accrued balances at the end of the 2021-22 fiscal year.*

*In addition, a review by the district’s fiscal consultant team revealed a lack of monitoring of employees at school and department levels to ensure that time off was being entered in the district’s Frontline absence tracking system. The district is in the process of implementing systems to ensure each employee absence is entered in the Frontline system and that timely reconciliation takes place between this system and the district’s accounting system where employee accrual balances are maintained. No documents were provided showing the accruals and reductions of leave balances.*

**10. Enrollment and Attendance**

**Yes No N/A**

- 10.1 Has the district’s enrollment been increasing or remained stable for the current and two prior years? . . . . .

*The district’s only charter school merged with the district in 2021-22. For a better comparison, the following table combines total district and charter school enrollment in all years. According to the CDE’s DataQuest reporting system, the district’s enrollment declined in 2021-22 and the two preceding fiscal years.*

	2018-19	2019-20	2020-21	2021-22
District	119	108	111	394
Charter	409	376	346	
Total	528	484	457	394
Increase/(Decrease)		(44)	(27)	(63)

- 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)? . . . . .

*No documents were provided to show active involvement in monitoring and analyzing enrollment and ADA during the period under review. Interviews with staff indicated that during the period under review the district failed to ensure that school sites recorded daily attendance or that instructional staff prepared monthly attendance certifications. Interviews indicate that the district has implemented monitoring practices to ensure teachers take attendance daily and certify monthly attendance during the 2022-23 school year.*

*A review of board agendas on the district’s website indicates that the district monitors enrollment and provides the governing board with reports. However, in several instances the item was placed on the agenda but no attachment was posted, and because board minutes are incomplete they often do not include confirmation of board reports.*

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

*No documents or information obtained during FCMAT’s interviews indicated that the district prepares and updates enrollment and ADA trend analysis data and 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? . . . . .

*The district uses the Aeries student information system. Summary reports for enrollment and ADA used for state reporting indicate that school sites maintain daily enrollment and attendance. However, interviews indicated the district failed to actively monitor enrollment and ADA activities during the period under review and that no reconciliation was performed.*

*Interviews indicated that the district has implemented monitoring practices to ensure teachers take attendance daily and certify monthly attendance during the 2022-23 school year. However, interviewees could not articulate clearly defined roles and responsibilities for district oversight, reconciliation or state reporting.*

- 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? . . . . .     
*No documents provided and no information from interviews indicated that the district performs any enrollment and ADA analysis to help develop enrollment and ADA projections.*
- 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? . . . . .     
*One individual is responsible for CALPADS reporting. Interviews indicated that the district has no collaborative process for reviewing data before it is submitted.*
- 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?. . . . .     
*No documents were provided and no information from interviews indicated that the district evaluates each interdistrict transfer request to 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? . . . . .

*Interviews indicated that the district has self-contained classrooms with exceptionally low class loads compared to the following Office of Public School Construction loading standards:*

Grade Level	Loading Standard
K-6	25
7-8	27
Non-severe	13

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

*The district did not provide current documents that show how its facilities are used at each site. However, the district’s 2020 Facilities Master Plan (dated November 2020) shows a state capacity calculation of 782 students and a district capacity calculation of 561 students, and the district operates one school at two school sites with total district enrollment of less than 400 students. Excess capacity can result in unnecessary operating expenditures.*

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

*Interviews with staff and the lack of documentation provided indicate that the district does not have a deferred maintenance or preventive maintenance plan that identifies facilities maintenance projects. Interviews indicated that a budget is not developed to support the projected costs of specific identifiable maintenance and repair projects. Instead, as repair or replacement costs are incurred, the business office identifies a funding source for procurement purposes. However, the district's 2021-22 second interim budget includes a contribution to the restricted maintenance account.*

- 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? . . . . .

*The district spent bond funds beginning in the 2020-21 fiscal year. A review of board meeting agendas on the district's website indicates that the governing board was presented with an independent auditor contract for performance audits for fiscal years 2020-21 and 2021-22. However, the district did not provide any documents that indicate a performance audit was completed as required by its Proposition 39 bond.*

*Interviews indicated that the district has established a citizens' bond oversight committee and filled all but one required position on it, but no documents were provided to show that the board took official action to appoint committee members. A review of board agendas on the district's website indicates that at least five applications were presented to the board for consideration between May 2021 and June 2022. However, the district provided no documents that show board action, and meeting minutes were not available on the website.*

*Interviews with staff confirm that no bond oversight committee meetings had taken place as of FCMAT's fieldwork and no annual report had been prepared, as required by the bond.*

- 11.8 Does the district have a long-range facilities master plan that reflects its current and projected facility needs? . . . . .

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

- 12.1 Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards? . . . . .
- 12.2 Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? . . . . .
- 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? . . . . .
- 12.4 Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? . . . . .
- 12.5 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level? . . . . .

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

- 13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? . . . . .

Interviews indicated that the district used one-time federal and state COVID-19 funds to pay for staff. The 2021-22 second interim report narrative indicates that five additional teachers and eight additional student success coaches were hired, and that all of the one-time COVID funds would be spent in 2021-22. The narrative states, “We knew when we adopted our budget in June of 2021 that we would need to cut the \$1.3 Million dollars in one time Covid positions, and that likely the only effective way to do that would be to lay off the staff we hired with that money.”

The 2021-22 budget Form MYP included a reduction in restricted general fund staff costs in 2022-23 and a statement about the elimination of COVID funds and the reduction of all staff costs assigned to those resources. However, no documents were provided to show that the board approved a plan to eliminate the expenditures until its March 10, 2022 meeting, at which the agenda included resolutions to eliminate and/or reduce the number of certificated and classified employees. The May 12, 2022 board agenda included the following action items: Consider Approval of Final Certificated Layoff Resolution #840 21-22 and Consider Approval of Final Classified Layoff Resolution #841 21-22. However, the approved meeting minutes were not available on the district’s website, so it is unknown if the board approved these agenda items.

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

The district’s 2020-21 unaudited actuals report and its 2021-22 second interim report show that the district does not charge the full allowable indirect cost rate to all its restricted resources and other funds. To show the true costs of programs, the maximum allowable indirect costs should be budgeted and charged to all restricted programs and funds, including special education, routine restricted maintenance, and the cafeteria fund.

**14. Information Systems and Data Management**

**Yes No N/A**

- 14.1 Does the district use an integrated financial and human resources system? . . . . .  ✓   
*During the period under review, the district did not use the human resources system that is integrated with the financial system. Interviews with staff and district fiscal consultants indicated that the district has since begun using the integrated position control system.*
- 14.2 Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions? . . . . .  ✓

*There is no indication that the district uses information from the financial system to help make informed financial decisions. During the period under review, position control was not used to maintain key employee data, including positions, credentials, seniority, salary schedule placement, or open/unfilled positions. School administrators and department heads do not have access to the financial system to monitor school and department budgets and spending.*

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? . . . . .

*Interviews indicated that staff are not involved in this process. No documents were provided to show a process for evaluating student eligibility other than that of students eligible under direct certification.*

14.4 Is the district using the same financial system as its county office of education? . . . . .

14.5 If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems? . . . . .

14.6 If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance? . . . . .

**15. Internal Controls and Fraud Prevention**

**Yes No N/A**

15.1 Does the district have controls that limit access to its financial system and include multiple levels of authorization? . . . . .

*All employees who have access to the financial system have access to a variety of system modules. There is no evidence that users' assigned access limits the ability to add, delete or modify employee or vendor data needed to create and approve transactions.*

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? . . . . .

*There is no indication that adjustments to financial system access are made when employee changes occur and at least annually.*

15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:  
 • Accounts payable (AP) . . . . .

*One staff member is responsible for adding and modifying vendor information in the financial system, processing invoices for payment, receiving the accounts payable warrants from the county office, and mailing the warrants. This employee could create a fictitious vendor and generate and potentially pay a fraudulent invoice.*

*The district should segregate these duties by assigning to other personnel the duties of adding new vendors and changing vendor information in the financial system, receiving the accounts payable warrants from the county office and mailing them to vendors.*

*When segregation of duties is not practical, cost effective or feasible, alternative control activities should be established, including additional review and approval steps by at least one other staff member.*

- Accounts receivable (AR) . . . . . ✓
- Purchasing and contracts. . . . .  ✓

*Interviews with staff indicated that during the period under review few control measures were in place for procurement, including segregation of duties. With the help of contracted fiscal consultants, the district has improved the purchasing process by implementing additional control activities, including review and approval steps. However, interviews indicated that the employee responsible for processing vendor invoices also creates the purchase order in the financial system and has access to add a new vendor and modify existing vendor data. This provides an opportunity for this individual to create a fictitious vendor, generate a fraudulent invoice, and pay that same invoice.*

- Payroll . . . . .  ✓

*Interviews with staff indicated that the district has overpaid some employees and allowed some to overuse leave benefits. During the period under review, the district did not use an integrated position control system to manage board-authorized positions, staff assignments, salary schedule placements, or benefit accrual balances. As a result, payroll was not directly tied to a personnel management system. The district has since worked with contracted fiscal consultants to implement an integrated position control system for all positions and staff assignments. The data from this system was being used to develop the 2022-23 budget and to establish pay for each employee in the payroll system. Although this will improve internal control over payroll, it is essential that the duties of maintaining position assignments, employee data and leave balances be segregated from payroll processing duties.*

*Interviews indicated that a process has been established to segregate duties or provide alternative control activities for payroll. However, procedures for distributing warrants could be further improved by ensuring the staff member responsible for preparing and processing payroll is not also responsible for receiving payroll warrants from the county office and distributing them to staff.*

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

*See summary above under Payroll.*

- 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? . . . . .  ✓

*No documents were provided to indicate that district staff post or verify beginning balances against the prior year ending balances for each fund and resource.*

- 15.5 Does the district review and work to clear prior year accruals throughout the year? . . . . .  ✓

*No documents were provided to indicate that district staff clear prior year accruals in a timely manner or investigate outstanding items.*

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

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

*Interviews with staff indicated that the district does not have formal processes and procedures to discourage and/or to detect fraud. The district has been working on improving internal controls related to purchasing and payroll functions, including implementing transaction review and approval activities. If developed and implemented correctly, these processes will improve the district's overall system of internal control.*

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? . . . . .     
*Interviews with staff indicated that the district does not have a process for collecting and following up on reports of possible fraud.*

15.9 Does the district have an internal audit process? . . . . .     
*Interviews with staff indicated that 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? . . . . .     
*The former CBO resigned after approximately five months with the district. At the time of FCMAT’s fieldwork, the CBO position had been vacant for more than seven months, and the district was using a consulting firm to perform some of the CBO duties.*

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

16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? . . . . .

16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? . . . . .     
*Interviews indicated that budget training has not been provided to school and department administrators who are responsible for budget management. Budget managers do not have online access to their budgets and do not routinely receive budget reports from the district office.*

16.5 Does the governing board adopt and revise policies and administrative regulations annually? .     
*The district uses the California School Boards Association’s (CSBA’s) GAMUT policy service for its board policies and administrative regulations. A review of the district’s board agendas for 2020-21 and 2021-22 shows that several board policies and administrative regulations have been presented for first and second readings; however, the district’s website includes numerous outdated board policies and regulations, many of which were adopted or last revised in 2010.*

16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? . . . . .     
*Interviews indicated that the district lacks a process to effectively communicate newly adopted or revised board policies and administrative regulations to ensure all employees receive this information.*

16.7 Do all board members attend training on the budget and governance at least every two years? . . . . .     
*No evidence was provided to show that 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? . . . . .     
*Interviews and 2020-21 and 2021-22 board agendas indicate that several closed session meetings have included an item regarding the superintendent’s evaluation; however, board minutes do not show approval of the evaluation. The superintendent’s*

contract was not provided to FCMAT; therefore, the contract terms of the evaluation process are unknown.

<b>17. Multiyear Projections</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The May 13, 2021 board agenda included an item titled Consider Approval of 2021-2022 Budget Adoption Revenue and Expenditure Base Assumptions. The PowerPoint presentation included some but not all of the key assumptions used to develop the multiyear projections. For example, the information provided did not include items such as step-and-column cost percentages, the consumer price index, or percentage increases for supplies and utility costs. The document stated that some of the factors were based on the governor’s proposed 2021-22 state budget. A complete list of key assumptions was not provided in the board materials when the budget was presented at the public hearing on June 10, 2021 or when it was presented for adoption on June 17, 2021. Therefore, it is not known if the most current information available at the time, including the May revision of the governor’s budget, was used to develop the multiyear projections.</i></p> <p><i>The 2021-22 second interim report materials provided at the March 10, 2022 board meeting included a budget narrative with numerous assumptions that align with industry standards. However, it did not include all the key assumptions used to develop the multiyear financial projections. For example, the narrative did not provide student attendance projections or projected percentage increases for health and welfare benefits.</i></p>			
17.2	To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.3	Does the district use its most current multiyear projection in making financial decisions? . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>No evidence was provided that indicates the district uses the multiyear projection when making financial decisions.</i></p>			
17.4	If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18. Non-Voter-Approved Debt and Risk Management</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
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? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18.2	If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18.3	If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district’s unrestricted general fund revenues? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

19. Position Control		Yes	No	N/A
19.1	Does the district account for all positions and costs? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district has historically used a simple but incomplete spreadsheet to document filled positions, salaries and benefits. Because the spreadsheet lacks key financial information, including budget distributions for salaries and benefits, it was not possible to verify whether all positions and costs are accounted for. At the time of FCMAT's fieldwork, the district had implemented a position control system that is integrated with its financial system.</i>			
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The collective bargaining agreement with certificated employees contains an article limiting class sizes; however, the district's class sizes are well under these limits. No other documents were provided to indicate that the district maintains staff based on staffing ratios and enrollment.</i>			
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Information gathered during interviews and the lack of documentation indicate that the district does not routinely reconcile board-approved positions with the budget and recorded payroll.</i>			
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Information provided during interviews and the lack of documentation indicate that the district has no formal process to ensure an available funding source is identified for each new position or stipend before board authorization.</i>			
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>A review of board agendas indicates that some positions are brought before the board for consideration and approval; however, interviews and a lack of documentation indicate that the district has no formal process to ensure each new position or stipend is authorized by the governing board before posting the position.</i>			
19.6	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that some duties commonly assigned to human resources staff have been delegated to school administrators and that there is no collaboration between these employees and those responsible for budget development and payroll activities.</i>			

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? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that special education staffing is analyzed. However, no documents were provided to indicate whether staffing ratios, class sizes and caseload sizes align with statutory requirements and industry standards.</i>			
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

*Interviews indicated that the district may have qualified for extraordinary cost pool funding for at least one student. However, no documents were provided to show whether an analysis was done to determine if the district qualified for reimbursement and/or if a claim for reimbursement was submitted.*

- 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)? . . . . .  ✓

*No evidence was provided to show that the district uses appropriate tools to help make informed decisions about whether to add services.*

- 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 the full allowable indirect cost rate to all its special education resources. This results in an understatement of the true costs of these programs. It is not known whether other costs existed that should have been charged to the 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? . . . . .  ✓

*The district’s 2021-22 identification rate was 17.01% of total enrollment, which was higher than the countywide average of 12.14% and the statewide average of 12.65%.*

- 20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period? . . . . .  ✓

*The documents provided indicate that the maintenance of effort analysis is performed only at year end.*

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**Risk Score, 20 numbered sections only: 55.1%**

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**Key to Risk Score from 20 numbered sections only:**

- High Risk: 40% or more*
- Moderate Risk: 25-39.9%*
- Low Risk: 24.9% and lower*

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

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