FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

January 3, 2022

Sonora Elementary School District

Michael H. Fine
Chief Executive Officer

Contents

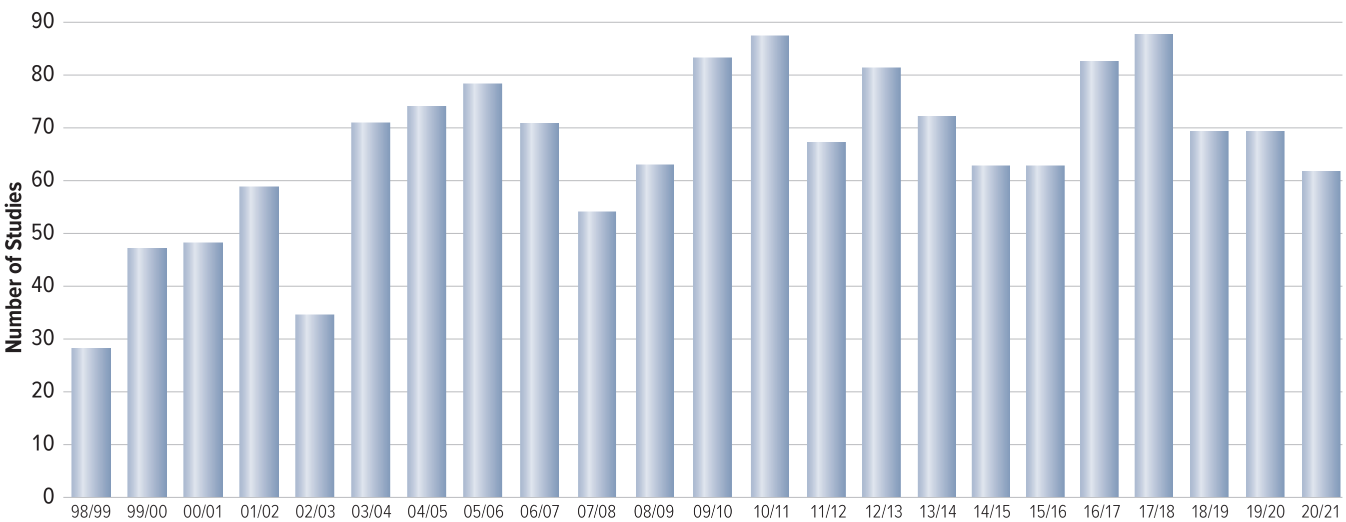
About FCMAT

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

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

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

Studies by Fiscal Year



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

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

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

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

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

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

Introduction

Background

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

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

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

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

- "Lack of going concern" designation

The Sonora Elementary School District, located in Tuolumne County, California, serves the city of Sonora. The district operates on one school site and serves approximately 700 students in transitional kindergarten through eighth grade. The district is governed by five-member board and operates with a current year budget of approximately $8.45 million. The district has an unduplicated pupil count of 47.51% as identified on its 2021-22 Local Control Accountability Plan (LCAP).

On September 15, 2021, the Tuolumne county superintendent of Schools approved the district's 2021-22 LCAP and adopted budget. However, the County Superintendent identified the district as a lack of going concern, citing concerns regarding forecasted declining enrollment, significant projected deficit spending through 2023-24, the quality and reliability of the adopted budget, and recent significant changes in key administration positions.

FCMAT performed an FHRA to determine the district's level of risk for insolvency.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Sonora Elementary School District on September 22, 2021. The study team conducted interviews via teleconference on September 28, 29, 30, and October 5, and subsequently collected data and reviewed and analyzed 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:

John Von Flue
FCMAT Chief Analyst

Diane Branham
FCMAT Chief Analyst

Leonel Martínez
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For K-12 School Districts

Date(s) of fieldwork: September 28 – 30 and October 5, 2021

District: Sonora Elementary School District

Summary

In concurrence with the concerns cited by the Tuolumne County Superintendent of Schools leading to the lack of going concern designation, FCMAT's Fiscal Health Risk Analysis identifies issues which, in addition to other contributing factors, include declining enrollment, deficit spending, quality of reporting and changes in key district administration.

The recent turnover in key district administration, namely the superintendent and chief business official (CBO), largely influence the identification of risk factors in this report. As prior administration exited and members of the new administration assumed their roles in the district, there was little transfer of information and continuity of district plans and actions. Instead of an overlap, there was a gap of service between the immediate previous superintendent and CBO and the individuals currently in these positions. In addition, the current superintendent and CBO had no prior experience in the district. This resulted in a steep learning curve to understand and identify the district's prior reporting and established structures, processes, and procedures and is reflected in several areas of this report.

Significant risk was found in the area of budget development and monitoring. For fiscal year 2021-22 budget development and submission, supporting documents were not found to indicate detailed assumptions were developed and communicated. FCMAT found no evidence that budget development included position control when staffing accounts for the vast majority of the district's expenditures, nor evidence of input from staff, administration, governing board, and the community. This indicates that the budget may have been developed solely by the CBO without substantial foundation. Similar issues were found for the 2020-21 interim reporting. The district's budget and general ledger are not actively monitored and adjusted throughout the year, even when significant events such as bargaining agreements settle, purchases exceed budget lines, and prior year accruals are realized. Additionally, during budget development, the district failed to consider its deficit spending and the related guidance from the county office.

As is common, employee compensation accounts for most of the district's expenses. Increases in compensation have a great and lasting impact on the district's budget and should be highly evaluated prior to adopting; however, there was little indication that the district quantified the cost impact of bargained agreements and certified their affordability before submitting these to the board for approval. In addition, the board approved these agreements without certification from the superintendent and CBO. The result was staff compensation cost increases that appear to be greater than district revenue increases in the same period.

The district's main source of income is generated by the Local Control Funding Formula (LCFF), largely driven by student attendance, and it is experiencing declining enrollment, which will affect revenue into the future. Therefore, it is crucial in forecasting revenue to track, report and project enrollment and attendance accurately. Despite that, the existence of systems and best practices to support enrollment and attendance projecting could not be verified.

The district's internal controls have some risk exposure. Because of its size and limited staff and the transition of leadership, the district lacks systems and procedures to ensure segregation and oversight of business functions, which could lead to inappropriate payments made to employees and vendors; improper tracking of revenues; and opportunities for fraud due to a lack of preventative and detective measures.

Ultimately, the governing board is responsible for the district budget. Management has the responsibility to maintain integrity of the district's systems, to secure the districts' assets, and to present sound financial information based on current and accurate data so the board can make informed decisions and maintain the district's 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 are 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 *without* the following?:	**Yes**	**No**
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation	☐	✓

	Material Weakness Questions	**Yes**	**No**	**N/A**
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	☐	✓	☐
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	☐	✓	☐
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	☐	✓	☐
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	☐	✓
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓

5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	☐	☐	✓
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	☐	✓	☐
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	☐	✓
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	☐	✓	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	☐	✓	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	☐	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?.	✓	☐	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
19.1	Does the district account for all positions and costs?	✓	☐	☐

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.3%
2.	Budget Development and Adoption	4.5%
3.	Budget Monitoring and Updates	7.8%
4.	Cash Management	2.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	6.1%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	2.5%
9.	Employee Benefits	0.6%
10.	Enrollment and Attendance	4.5%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.6%
13.	General Fund - Current Year	3.3%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	6.1%
16.	Leadership and Stability	2.9%
17.	Multiyear Projections	2.9%
18.	Non-Voter-Approved Debt and Risk Management	1.0%
19.	Position Control	2.0%
20.	Special Education	0.4%
Score		**50.5%**

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status: Is the district currently *without* the following?:

	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation	☐	✓

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	Has the district corrected the most recent and prior two years' audit findings without affecting its fiscal health?	☐	✓	☐

The district's 2019-20 audit report included one finding. The finding was for a state-apportionment receivable that was accrued in the prior fiscal year, but not cleared in 2019-20 when the state apportionment was received. An audit adjustment of negative $218,645 was required in the general fund.

		Yes	No	N/A
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.)	✓	☐	☐
1.3	Were the district's most recent and prior two audit reports free of findings of material weaknesses?	☐	✓	☐

The district's 2018-19 and 2019-20 audit reports each contained one finding of material weakness. The most recent report (2019-20) included the finding discussed above in question 1.1.

The 2018-19 report contained a finding of material weakness regarding a lease financing project agreement that included the deposit of funds to a district bank account. However, the transaction was not recorded, and an audit adjustment of $1,416,816 was required in the special reserve fund for capital outlay projects.

		Yes	No	N/A
1.4	Has the district corrected all reported audit findings from the most recent and prior two audits?	✓	☐	☐

2. Budget Development and Adoption

		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	☐	✓	☐

The 2021-22 budget documents provided to FCMAT included a general fund summary and some general assumptions (e.g., cost-of-living adjustment) for the LCFF. Not all the assumptions used for budget development and the multiyear projections were *presented and clearly articulated. For example, no list or narrative document was provided that included items such as step-and-column cost percentages or percentage increases for supplies and utility costs.*

The June 9 and June 16, 2021 board meeting agenda materials for the public hearing and 2021-22 budget adoption, respectively, only included a one-page general fund summary. The materials did not include the Standardized Account Code Structure (SACS) documents or written budget and multiyear projection assumptions. This practice does not provide the board and public with sufficient time to review the materials and formulate questions prior to the board meeting.

2.2	Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	✓	☐	☐
2.3	Does the district use position control data for budget development?	☐	✓	☐

Based on interviews and the district's position control spreadsheet (dated August 11, 2021), it is unclear whether position control data was used for budget development. However, staff indicated that the spreadsheet was updated and used to develop the 2021-22 45-day budget revision.

2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	✓	☐	☐
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
2.6	Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	☐	✓	☐

Interviews indicated that the prior director of business services developed the budget and that the process did not include input from staff or site and department managers. The district does not have a budget advisory committee.

The 2021-22 LCAP indicates that parents and staff were provided a LCAP survey. Based on the documents provided, this appears to have been the only stakeholder input in the 2021-22 budget development process.

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

The 2020-21 unaudited actuals report shows that some restricted programs had significant ending balances or carryover: for example, lottery instructional materials $104,779 and Title I $160,712. In addition, interviews indicated that the district must return approximately $79,000 to the state because the Low-Performing Students Block Grant was not spent timely.

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?	☐	✓	☐

Education Code Section 52062 (b)(2) requires the LCAP and budget to be adopted at the same meeting. The June 16, 2021 board meeting agenda includes the approval of the district's 2021-22 LCAP and budget as action items; however, the meeting minutes state that the LCAP was approved, and the budget was tabled. The June 30, 2021 board meeting agenda includes approval of the 2021-22 budget as an action item; minutes for the meeting were not posted at the time this analysis was prepared.

		Yes	No	N/A
2.9	Has the district refrained from including carryover funds in its adopted budget?	☐	✓	☐

The general fund summary for the 2020-21 budget includes "Title 1 19-20 Carry forward" of $59,000. The general fund summary for the 2020-21 first interim report includes an additional $34,263.

The general fund summary for the 2021-22 budget does not state that carryover/carry forward is included in the budget; however, interviews indicated that staff was unsure if any carryover had been included in the adopted budget.

		Yes	No	N/A
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?	☐	✓	☐

A district budget calendar was not provided to FCMAT, and interviews indicated that staff has not seen one.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	☐	✓	☐

The Comparative Budget Report (dated September 17, 2021) provided by the district did not include columns for encumbrances and available balances; therefore, it does not show if actual revenues and expense are consistent with the current budget. However, interviews indicated that no budget is available in some account codes and purchase orders often exceed the budget when entered in the financial system.

		Yes	No	N/A
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 2020-21 first and second interim report materials provided to FCMAT included a general fund summary and footnotes with some of the assumptions used to develop and update the budget. However, not all the assumptions used for the multiyear projections were presented and clearly articulated. For example, the narrative document did not include items such as step and column cost percentages or an explanation for the projected increase in special education costs.

The December 9, 2020 board meeting agenda materials for the 2020-21 first interim only included the General Fund Summary and Footnotes; the materials stated that the SACS budget detail and supplemental forms would be provided at the board meeting. The March 10, 2021 board meeting agenda materials for the 2020-21 second interim report included some, but not all, of the SACS documents. For example, Form 01 Restricted Resources and the Criteria and Standards were not included, nor was the multiyear projection assumptions narrative. This practice does not provide the board and public time to review the materials and formulate questions prior to the board meeting.

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? . . . . ❐ ✓ ❐

The May 12, 2021 board meeting agenda materials included two pages of a seven-page AB 1200 Disclosure of Collective Bargaining Agreement document for a tentative agreement with the district's certificated bargaining unit. The AB 1200 indicated that the tentative agreement included, among other provisions, a 4.2% salary increase retroactive to July 1, 2020, with a cost of $133,000. However, no evidence was provided to FCMAT indicating that the district made the necessary budget revisions in the financial system, and the 2020-21 estimated actuals did not include any adjustments for salaries and benefits compared to the 2020-21 second interim report.

The June 9, 2021 board meeting agenda materials included two pages of a seven-page AB 1200 Disclosure of Collective Bargaining Agreement document for a tentative agreement with the district's classified bargaining unit. The AB 1200 states "Certificated;" however, it includes a column regarding the classified settlement, with a cost of $43,725. The same board agenda included a tentative agreement with the classified bargaining unit, which among other provisions, included a 4.2% salary increase retroactive to July 1, 2020. Given the timing of this settlement, district staff likely did not have time to make the budget revisions prior to completion of the estimated actuals. It is unknown if the adjustments were made prior to closing the books.

3.5 Do the district's responses fully explain the variances identified in the criteria and standards? . ❐ ✓ ❐

The 2021-22 budget documents provided to FCMAT did not include the Criteria and Standards (Form 01CS). Form 01CS was also not provided in the board meeting agenda materials at the public hearing or when the budget was presented for adoption.

The 2020-21 second interim report provided to FCMAT did not include a complete response for Criterion 3. Additionally, Form 01CS was not provided in the board meeting agenda materials for the approval of the second interim report.

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 have repeatedly cautioned the district about volatile/declining enrollment and projected deficit spending in the general fund.

The 2020-21 unaudited actuals show deficit spending of $297,428 in the unrestricted general fund. The 2021-22 adopted budget projects deficit spending of $534,373 in the 2021-22 unrestricted general fund. Additionally, it projects deficit spending in the restricted general fund of $1,244,549 in 2022-23 and $1,264,433 in 2023-24, which leaves a projected ending balance of negative $1,264,433 in the restricted general fund. Total available reserves are projected to decrease from 21.25% in 2021-22 to 5.35% in 2023-24.

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

Interviews indicated the district has no system to stop a purchase order from being processed if it exceeds the budget and purchase orders often exceed the account balance.

		Yes	No	N/A
3.8	Does the district encumber and adjust encumbrances for salaries and benefits?	☐	✓	☐

The Comparative Budget Report (dated September 17, 2021) provided by the district did not include a column for encumbrances; therefore, it does not show if the district encumbers salaries and benefits. Interviews indicated that staff are unsure if salaries and benefits are encumbered.

		Yes	No	N/A
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	☐	✓	☐

The district's 2019-20 audit report included a finding about a state apportionment receivable that was accrued in the prior fiscal year but not cleared in 2019-20 when the state apportionment was received. An audit adjustment of negative $218,645 was required in the general fund.

Interviews indicated that a few balance sheet accounts had not been cleared prior to 2020-21 year-end closing, but that they were all cleared during the closing process.

		Yes	No	N/A
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?.	✓	☐	☐

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?	✓	☐	☐
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	☐	✓	☐

The June 2021 bank statements were provided for the district's three bank accounts. The statements are initialed and indicate they were reconciled on July 23, 2021. However, no reconciliation worksheet or documentation was included to show that the district's bank account ledgers balanced to the bank statements, and the documents provided do not indicate who reviewed the reconciliation and the review date. Bank statements and reconciliations were requested but not provided for other months, so it is unknown if reconciliations are routinely completed monthly.

		Yes	No	N/A
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?	☐	✓	☐

The documents provided show that the district completes a cash flow projection for the current year but not for the subsequent year. The district's cash flow projections prepared with the 2020-21 and 2021-22 budget and interim reports do not include beginning balances for the balance sheet items. Additionally, the cash flow projection completed with the 2020-21 second interim report indicates the actual revenues and expenditures are through November 2020, rather than the entire reporting period.

		Yes	No	N/A
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?	☐	☐	✓
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	☐	☐
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.	☐	☐	✓

		Yes	No	N/A
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?	☐	☐	✓

5. Charter Schools

		Yes	No	N/A
5.1	Does the district have a board policy or other written document(s) regarding charter oversight?	☐	☐	✓
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	☐	☐	✓
5.4	Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?	☐	☐	✓

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	Has the district settled with all its bargaining units for the past two fiscal years?	✓	☐	☐
6.2	Has the district settled with all its bargaining units for the current year?	☐	✓	☐

Agreements for both certificated and classified units were approved in May and June 2021 respectively for the 2020-21 year. Negotiations for the current year 2021-22 have not been completed.

		Yes	No	N/A
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐

The district quantified the effects of bargaining settlements for the Sonora Elementary Teachers Association in 2018-19 and 2020-21. However, no support was provided that the district calculated the effects of bargaining for the other units or for 2019-20. Therefore, the district was unable to verify the effects were accurately included in their budget projections.

		Yes	No	N/A
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 was unable to provide evidence that an analysis of cost for the certificated settlement made for 2019-20 and could not provide evidence that analyses were completed for other employee groups for fiscal year 2018-19, 2019-20 and 2020-21.

		Yes	No	N/A
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 Sonora Elementary Teachers Association (certificated bargaining group) was given a 3.75% increase in salary schedule for the 2018-19 year. Calculated cost disclosure indicated the increase would cost the district $116,560 for the agreement year. No *increase percent or cost analysis was provided to identify the settle for the Sonora Elementary Employees Association (classified bargaining group). Funded COLA for the year was 3.70% for school districts.*

Bargaining units requested 3% increase in 2019-20. No documents were found to identify the final settlement and support that an analysis of cost was completed so the actual settlement and cost are unknown. Funded COLA was 3.26%.

For 2020-21, the district settled for 4.2% increase in salary schedules for all bargaining groups. Cost analysis conducted by the district indicated the cost for certificated agreement was $133,000 for the year and classified was $43,725. Funded COLA for this year was 0%.

		Yes	No	N/A
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?	❒	✓	❒

Cost analysis for the 2018-19 certificated bargaining unit agreement was completed; however, no certification of the agreement was included. In addition, no disclosure, analysis or certification was provided or found for the classified agreement.

No analysis and cost disclosures were provided or found in board documents for negotiations that were approved in the 2019-20 fiscal year.

While analysis and disclosures for the certificated bargaining group were completed for fiscal year 2020-21, the certifications were not signed by the superintendent and CBO that the costs incurred by the district under the agreement can be met prior to board action. The public disclosure was subsequently updated to include classified settlement and the certification was signed on June 8, 2021: after the certificated agreement was approved on May 12, 2021 but prior to the approval of the classified agreement on June 9, 2021.

		Yes	No	N/A
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?.	❒	✓	❒

Disclosures were not provided or found for every collective bargained agreement and the certifications provided were not signed by the superintendent or CBO. Hence, FCMAT could not confirm that the certifications have been consistently completed.

		Yes	No	N/A
6.9	Is the governing board's action consistent with the superintendent's and CBO's certification?	❒	✓	❒

Since certifications provided were not signed by the superintendent or CBO, it is not known whether the superintendent and CBO supported the agreements and whether the board's action was aligned with the superintendent and CBO. The board minutes recorded that bargaining agreements approved in 2018-19, 2019-20 and 2020-21 were unanimously approved by the board of trustees.

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 $987,259 in 2019-20, $1,204,350 in 2020-21, and the district projects contributions to be $1,149,864 in 2021-22. However, 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.

		Yes	No	N/A
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?	☐	✓	☐

Based on the documents provided, it does not appear that the district's 2021-22 contribution to special education is budgeted at a reasonable level. The 2020-21 unaudited actuals include a $991,999 contribution to special education, and the 2021-22 budget includes a projected contribution of $700,000.

The Comparative Budget Report (dated September 17, 2021) does not include an expenditure budget in resource 6500 (special education) for excess cost payments to the county office; however, the 2019-20 actuals included expenditures of $337,918, and the 2020-21 actuals included expenditures of $370,951. The 2021-22 budget for excess cost payments of $332,412 is included in the unrestricted general fund, rather than resource 6500 as in prior years.

Therefore, it appears the district's 2021-22 budgeted contribution to special education and budgeted excess cost payments are both below reasonable levels.

Additionally, based on the documents provided, it is unknown if the contributions to other restricted programs are budgeted 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 adopted budget projects deficit spending of $534,373 in the current fiscal year.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated that the district does not have a board-approved plan to reduce or eliminate deficit spending.

		Yes	No	N/A
8.4	Has the district decreased deficit spending over the past two fiscal years?	☐	✓	☐

The 2019-20 unaudited actuals do not show deficit spending in the unrestricted general fund; however, the 2020-21 unaudited actuals show deficit spending of $297,428.

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?	✓	☐	☐

		Yes	No	N/A
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?	✓	☐	☐

FCMAT could not verify that an eligibility benefits audit or review has been conducted in the district within the last five years. (9.4)

10. Enrollment and Attendance

		Yes	No	N/A
10.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?	☐	✓	☐

According to the district's California Longitudinal Pupil Achievement Data System (CALPADS) 1.17 reports, enrollment declined from 721 in 2019-20 to 698 in 2020-21. At the time of FCMAT's fieldwork, the 2021-22 enrollment census day had not yet occurred; however, the district was projecting an enrollment of 704 students.

		Yes	No	N/A
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 evidence was provided that indicates the district monitors and analyzes enrollment and ADA at least monthly.

		Yes	No	N/A
10.3	Does the district track historical enrollment and ADA data to establish future trends?	☐	✓	☐

No evidence was provided that indicates the district tracks historical enrollment and ADA data.

		Yes	No	N/A
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	☐	✓	☐

No evidence was provided that indicates enrollment and attendance data is reconciled monthly at the site and district levels. However, the district's two most recent audit reports, 2018-19 and 2019-20, did not include findings about attendance reporting.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated the district completes enrollment projections by subtracting eighth grade students from the prior year and using a five-year average for transitional kindergarten/kindergarten (TK/K) students to estimate the next year enrollment. This method may not accurately estimate incoming TK/K students and may taint the district's enrollment projection.

An industry-standard method of enrollment projection would include using local demographic information in addition to historical data correlations to project enrollment. This would include using county birth rate statistics to estimate TK/K enrollment and the use of the cohort survival method (enrollment from a grade succeeding to the subsequent grade).

		Yes	No	N/A
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?	✓	☐	☐
10.8	Has the district planned for enrollment losses to charter schools?	☐	☐	✓

		Yes	No	N/A
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?	☐	✓	☐
	The district has excess capacity. Although class loading and district capacity information was not available, an eight- classroom building was added in 2019 with the intent of replacing temporary classrooms, yet those classrooms have not been removed. Therefore, the district has added to student capacity while the student enrollment is on the decline.			
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 a long-range facilities master plan that reflects its current and projected facility needs?.	☐	✓	☐
	A facilities master plan was developed focusing on modernization and a new classroom building, which are now complete. According to the prior administration, the plan was also to include a gymnasium and office space, but this area of planning was not finished.			

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?	☐	☐	✓

		Yes	No	N/A
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	☐	✓	☐

The 2021-22 adopted budget projects the unrestricted fund balance will increase from $1,105,032 in 2021-22 to $1,740,998 in 2023-24; however, the 2023-24 restricted fund balance is projected to be negative $1,264,433. If the restricted ending fund balance is negative, additional contributions from the unrestricted general fund may be necessary, which would decrease the unrestricted fund balance.

		Yes	No	N/A
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?	☐	✓	☐

Interviews indicated the district does not have unfunded or contingent liabilities or one-time costs, other than OPEB. However, Form CB provided with the 2021-22 adopted budget includes a "yes" answer to the question "Are there known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) that may impact the budget?" Form 01CS was not provided with the budget documents, so there is no explanation given for the response regarding contingent liabilities.

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?	☐	✓	☐

Form CB provided with the 2021-22 adopted budget includes a "yes" answer to the question, "Are there ongoing general fund expenditures in excess of one percent of the total general fund expenditures that are funded with one-time resources?" Form 01CS was not provided with the budget documents, so there is no explanation given for the response regarding one-time resources. However, the multiyear projection shows a restricted ending fund balance of negative $1,264,433 in 2023-24.

		Yes	No	N/A
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?	☐	✓	☐

The district's 2019-20 and 2020-21 unaudited actuals show that unrestricted general fund salaries and benefits were 87.99% and 88.09% of the expense budget, respectively. The statewide average for all school districts as of 2019-20 (the latest data available) was 88%.

		Yes	No	N/A
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?	☐	✓	☐

The 2021-22 budget documents show a restricted ending fund balance of negative $1,264,433 in 2023-24. The explanation provided on Form MYP indicates that salaries were moved from the unrestricted to the restricted general fund in 2022-23, and that the 2021-22 increases to staff do not appear to be sustainable.

		Yes	No	N/A
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	☐	✓	☐

Interviews indicated that the district must return approximately $79,000 to the state because the Low-Performing Students Block Grant awarded in 2018-19 was not spent within the required timeline.

		Yes	No	N/A
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 the Comparative Budget Report (dated September 17, 2021) show that the district does not budget and charge the full allowable indirect cost rate to all its restricted resources and other funds. The district should budget and charge the allowable indirect costs to all restricted programs and funds, including special education, routine restricted maintenance, COVID-19 relief resources and the cafeteria fund, to reflect the true costs of these programs.

The Comparative Budget Report also shows that an expenditure budget was not included in resource 6500 (special education) for excess cost payments to the county office in 2021-22. The 2021-22 budget for excess cost payments is included in the unrestricted general fund, rather than resource 6500.

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	✓	☐	☐
14.2	Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	☐	☐
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	✓	☐	☐
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems?	☐	☐	✓
14.6	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	☐	☐
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?	✓	☐	☐
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP)	☐	✓	☐
	• A single position has access to manage vendors from set up to payment without review and approval from another person.			
	• Accounts receivable (AR)	☐	✓	☐

- The June 30, 2020 financial audit identified an internal control issue over financial reporting indicating that “a receivable for state apportionment that was accrued in the prior fiscal year and was not cleared during the current fiscal year.”
- Purchasing and contracts. . . . . ☐ ✓ ☐
- Due to relationships developed in the community and with vendors, material orders and services can be, and are regularly, obtained without a purchase order or other formal preauthorization.
- Payroll . . . . . ☐ ✓ ☐
- The district does not have processes to ensure proper internal controls for payroll. A single position in the district is responsible for hiring, onboarding, entering payroll data and processing payroll.
- Human resources (i.e., duties relative to position control and payroll processes) . . . . ☐ ✓ ☐
- The district human resources and payroll duties are combined into one position allowing this individual to hire, onboard, enter employees into the payroll system and process 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? . . . . . ✓ ☐ ☐

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

Receivables are generally cleared timely throughout the year; however, a receivable for state apportionment accrued in 2018-19 was not cleared in 2019-20 (audit finding 2020-001).

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? . . . . . ☐ ✓ ☐

The district does not have sufficient internal controls to prevent and detect fraud. Controls should be implemented that reduce opportunity and increase identification of fraudulent activity.

15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports? . . . . . ☐ ✓ ☐

The district does not have formalized fraud reporting processes or procedures.

15.9 Does the district have an internal audit process? . . . . . ☐ ✓ ☐

The district has not established 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 director of business services started with the district June 30, 2021.

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

The current superintendent started with the district July 1, 2021, on a three-year contract.

The superintendent of 10 years, who was also a principal for many years prior, retired June 30, 2020 and a superintendent was hired to start in July 2020, but left the district after one year.

		Yes	No	N/A
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?	☐	✓	☐

Most administration stated that they do not receive budget information nor budget training. Whenever needs are identified that require funds, staff go to the superintendent or CBO for consideration and approval.

		Yes	No	N/A
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?	✓	☐	☐

17. Multiyear Projections

		Yes	No	N/A
17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	☐	✓	☐

The 2021-22 budget and multiyear projection documents provided to FCMAT included some general assumptions for the LCFF but did not include a list or narrative document that describes all the detailed assumptions used to develop the budget and multiyear projections.

		Yes	No	N/A
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?	☐	✓	☐

No evidence was provided that indicates the multiyear projection is used in making financial decisions.

		Yes	No	N/A
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?	☐	✓	☐

The 2021-22 budget documents included an adjustment to the unrestricted resources on line B2d (classified salaries) of negative $330,975 in 2022-23; this represents a decrease of approximately 27% in classified salaries. Line B1d (certificated salaries) included an adjustment of $330,975 to the restricted resources in 2022-23. The explanation provided for these adjustments on Form MYP states, "The adjustments represent salaries currently budgeted in unrestricted, that will need to be moved to either a restricted COVID funding source or an unrestricted COVID funding source, given that there is currently no plan for how to spend the COVID funds. The 2021-22 increases to staff, do not appear to be sustainable from projected general fund revenue, even if enrollment and ADA increases dramatically."

It is unclear why a negative adjustment was made to classified salaries and a positive adjustment for the same amount was made to certificated salaries. However, the multiyear projections show that the adjustment, in addition to other expenditures, will result in a restricted ending fund balance of zero in 2022-23 and negative $1,264,433 in 2023-24.

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?	☐	✓	☐
	The district entered into a $1.5 million lease agreement for which it is obligated to pay approximately $100,000 (principal and interest) annually through 2040 from the 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?	☐	✓	☐
	According to interviews, the district's position control was not complete and accurate at budget development. The district's position control spreadsheet was updated in August 2021 for use on the district's 45-day budget revision.			
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?	☐	✓	☐
	Statements made during interviews indicated that situations occasionally occur where a position is filled prior to receiving board approval. While this is not the norm, the district has allowed hiring of individuals prior to board action.			
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)?	❒	✓	❒
	No indirect costs were charged to the special education resources for fiscal years reviewed (2018-19, 2019-20, and 2020-21). It is unknown whether other costs existed that should have been charged to the special education program. Charging all allowable expenses to programs would provide the district with a full understanding of resources needed to run the program and possibly opportunities for efficiencies.			
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?	✓	❒	❒
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: **50.5%**

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors: High

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

Appendix

A. Study Agreement

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
September 20, 2021

[The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the :eam, and the Sonora Elementary School District, hereinafter referred to as the district, mutually ıgree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). In accordance with the 2018-19 Budget Act, the team has been assigned to study the fiscal health of the district due to the district receiving a lack of going concern designation from the county superintendent. The team may include staff from FCMAT, county offices of education, the California Department of Education, other school districts, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

This agreement will replace the previously signed study agreement dated August 6, 2021. The county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

1. Orientation Meeting – If on-site review is needed, the team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the district office and at school sites if necessary.
3. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
5. Board Presentation – The team will make a presentation regarding the final report at a district board meeting.

3. PROJECT PERSONNEL

The FCMAT study team may include:

A. John Von Flue FCMAT Staff

B. Diane Branham FCMAT Staff

4. PROJECT COSTS

Pursuant to the 2018-19 Budget Act, costs for the study shall be as follows:

A. All staff member and consultant daily rates and expenses will be covered by a specific state apportionment for this purpose.

B. Based on the elements noted in section 2A, the total cost of the services is $0.

5. RESPONSIBILITIES OF THE DISTRICT

A. The district will provide office and conference room space during on-site reviews.

B. The district will provide the following items:

1. Current or proposed detailed organizational charts.
2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.

C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

Pursuant to Education Code (EC) 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The schedule of services will be determined jointly by FCMAT and the district.

7. COMMENCEMENT AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

. INDEPENDENT CONTRACTOR

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

. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Sonora Elementary School District named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

0. HOLD HARMLESS

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

1. COVID-19 PANDEMIC

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

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).

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12. FORCE MAJEURE

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

13. CONTACT PERSON

Name: Tami Beall, Superintendent
Telephone: (209) 532-5491
E-Mail: tbeall@sesk12.org

9/22/21

Tami Beall, Superintendent Date
Sonora Elementary School District

9/22/21

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