

## Fiscal Health Risk Analysis

June 28, 2021



## Templeton Unified School District

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Chief Executive Officer

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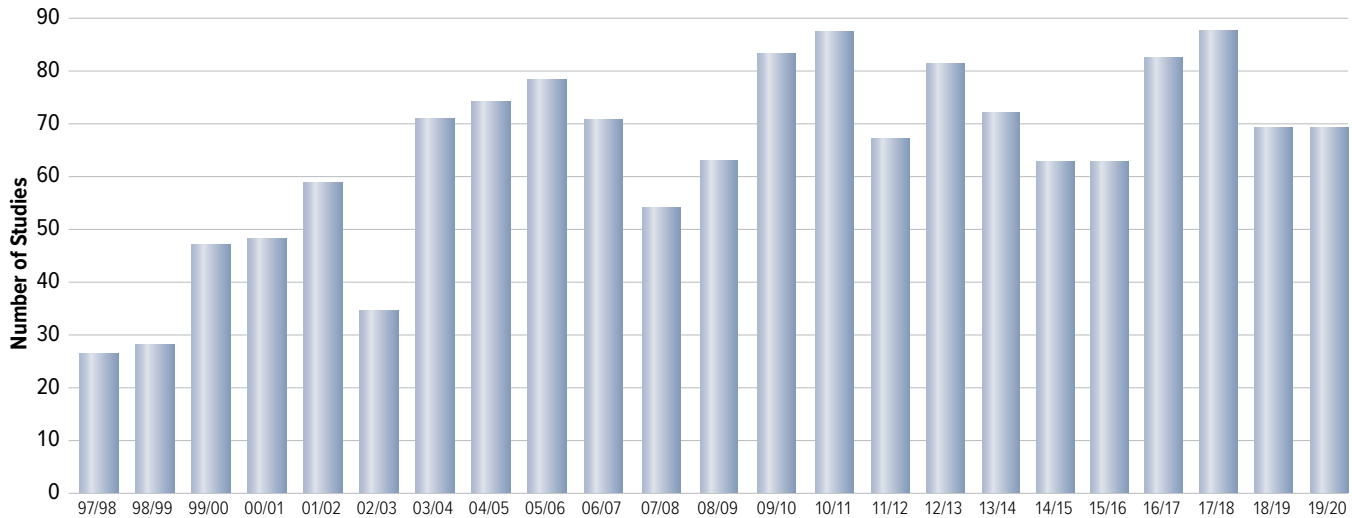
# About FCMAT

FCMAT’s primary mission is to assist California’s local 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](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 1,000 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 as required by the 2018-19 State Budget Act because the district's 2020-21 first interim budget certification was downgraded by the county superintendent.

The Templeton Unified School District is located on California's central coast. The district has a five-member governing board and serves approximately 2,424 students in kindergarten through grade 12 at two elementary schools, one middle school, two high schools, and one independent study high school. According to Ed-Data ([www.ed-data.org](http://www.ed-data.org)), in the 2019-20 school year 19.6% of the district's students were economically disadvantaged and 4.2% were English learners. These percentages contribute to an extremely low combined single-year unduplicated pupil percentage of 21.33% (that is, the percentage of students who are English learners, foster youth, or who qualify for free or reduced-price meals). This low percentage reduces the district's supplemental and concentration grant funding from the state's Local Control Funding Formula (LCFF). The district also reports that approximately 20% of its students attend on interdistrict transfer agreements.

The district's first interim budget report for 2020-21 indicates a structural deficit and a reserve of approximately 5.64% in the budget year. In a letter to the district from the San Luis Obispo County Office of Education dated February 2, 2021, the county office communicated fiscal solvency concerns to the district's administration and governing board. The county office downgraded the district's 2020-21 first interim financial report status from positive to qualified in accordance with Education Code Section 42127. The county office's determination was based on an erosion of the district's fund balance because of ongoing and increasing deficit spending and the effects of projected declining enrollment.

As a result of the downgraded budget status, FCMAT performed this fiscal health risk analysis to determine the district's level of risk for insolvency.

## Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Templeton Unified School District on March 2, 2021, and a study team visited the district on April 28-29, 2021 to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities.

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

## Study Team

The team was composed of the following members:

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

Debbie Riedmiller, CFE  
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: April 28-29, 2021

District: Templeton Unified School District

## Summary

At the end of the 2018-19 fiscal year, the district's longstanding superintendent retired. The governing board assigned the superintendent's duties to the longstanding chief business official, who served as interim superintendent and chief business official (CBO) during the 2019-20 fiscal year. This position was made permanent on July 1, 2020, and the governing board restructured the district's administration by establishing an assistant superintendent of educational services and technology to help redistribute and balance the administrative duties formerly managed solely by the superintendent position.

Monitoring a district's budget and making sound financial decisions is the responsibility of a school district's administration and its governing board. To perform these functions, the administration and the board rely on the business department's expertise and ability to provide accurate and timely financial information that is supported by trend analysis, budget assumptions and multiyear projections. Management has the responsibility to present sound financial information based on current and accurate data so the governing board can make informed decisions. Any failure of a district to act decisively on accurate and timely information may result in fiscal insolvency and the loss of local control.

The district's 2020-21 adopted budget was developed based on a high level of uncertainty brought about by the COVID-19 global pandemic and concerns about an impending national recession. It was natural to expect the district's risk of fiscal insolvency to increase during this time absent immediate action by the district's governing board and administration to address impending budget shortfalls. On September 10, 2020, the governing board adopted Resolution 21-05, committing to meet financial obligations and maintain fiscal solvency. Although no specific financial implications were stated, the board recognized through this resolution "significant fiscal challenges" for fiscal years 2021-22 and 2022-23 because planning factors that result in deficit spending require corrective action to maintain fiscal stability. At this same meeting, the board was presented with and approved short-term budget reduction options totaling \$160,000 for the 2020-21 fiscal year.

The district's 2020-21 first interim budget was presented to the governing board on December 10, 2020. The 2020-21 first interim multiyear financial projection (MYFP) accompanying the district's first interim budget was prepared consistent with key planning factors for the 2020-21 first interim reporting and multiyear projections developed by the Business and Administrative Steering Committee and communicated by the county office. These key planning factors included funding cost of living adjustments (COLAs) of 0.0% in the budget year and in each of the two subsequent fiscal years of the multiyear financial projection.

Although the district self-certified its first interim budget as positive, meaning it would be able to meet its financial obligations in the current and two subsequent fiscal years, the district's 2020-21 first interim MYFP indicated otherwise. The district's MYFP that accompanied its first interim budget revision projected a decline in its unrestricted ending fund balance, taking it from a balance of \$2,385,672.70 in 2020-21 to \$136,330.28 in 2021-22, and to \$(3,110,918.34) by the end of 2022-23. Deficit spending is projected in all three years of the MYFP.

On February 2, 2021, the county superintendent of schools downgraded the district's first interim budget certification from positive to qualified. The justification for the downgrade was the district's depiction of its fiscal condition in the MYFP accompanying its first interim budget revision, which indicated that the district will not be able to meet its financial obligations in the two subsequent years (2021-22 and 2022-23).

On March 9, 2021 the district's governing board was presented with, and approved, budget reduction options to mitigate the budget shortfalls projected for fiscal years 2021-22 and 2022-23 of the MYFP. Budget reductions for fiscal year 2021-22 included \$618,659 in one-time reductions and an additional \$756,137 in reductions that will be ongoing. Both reductions are necessary to maintain the district's required 3% reserve for economic uncertainties. As a result of these reductions and significant changes in projection planning factors (including modified COLAs of 3.84% and 2.98% for 2021-22 and 2022-23, respectively), the district's MYFP presented with its 2020-21 second interim budget revision improved significantly.

FCMAT performed an FHRA to determine the district's level of risk for insolvency and determined that the district is at risk of insolvency. Although the overall risk score of 17.9% indicates a low risk of insolvency, the presence of any condition in the Budget and Fiscal Status section (shown below) supersedes the overall score because it is considered to significantly elevate the district's level of risk. Accordingly, because the district's self-certification of its first interim budget was revised by the county superintendent of schools from positive to qualified status, the district's fiscal solvency risk level for the purposes of this

assessment is designated as high. Had the district self-certified its first interim budget as qualified, the level of risk assigned in FCMAT’s FHRA would be low, consistent with FCMAT’s observations.

**District Fiscal Solvency Risk Level: High**

**About the Analysis**

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

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

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

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

**Areas of High Risk**

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

<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>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"/>	<input checked="" type="checkbox"/>
5.2	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.3	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"/>
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"/>
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 checked="" 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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.1	Does the district account for all positions and costs? . . . . .	<input checked="" type="checkbox"/>	<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	0.0%
2.	Budget Development and Adoption	1.6%
3.	Budget Monitoring and Updates	1.0%
4.	Cash Management	1.6%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.9%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.5%
9.	Employee Benefits	0.0%
10.	Enrollment and Attendance	1.0%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	2.0%
13.	General Fund - Current Year	1.8%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	0.2%
16.	Leadership and Stability	1.0%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	0.0%
20.	Special Education	0.4%
<b>Score</b>		<b>17.9%</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>
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.) . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

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

*The district’s 2020-21 adopted budget was conditionally approved by the county office because its reserve for economic uncertainty was projected to fall below the minimum 3% in fiscal years 2021-22 and 2022-23 and its cash position was projected to be negative in June 2021. The district’s budget was developed using the most current assumptions available at the time, including a 10% ongoing reduction to LCFF funding. The 45-day budget revision was based on a 0% COLA for 2020-21, 2021-22, and 2022-23. The district was required to submit to the county office by October 7, 2020 a board resolution committing to meet its financial obligations and maintain fiscal solvency. Resolution R21-05, Committing to Meet Financial Obligations and Maintaining Fiscal Solvency, was adopted by the board on September 10, 2020.*

2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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- 2.7 Does the district budget and expend restricted funds before unrestricted funds? . . . . . ✓
- 2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year? . . . . . ✓
- 2.9 Has the district refrained from including carryover funds in its adopted budget? . . . . . ✓
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts? . . . . .  ✓   
*The district's first interim budget contained negative "Budget Revision Placeholder" accounts that reduced budgeted expenditures in object code 4300 by \$177,958.*
- 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? . . . . . ✓

**3. Budget Monitoring and Updates**

**Yes No N/A**

- 3.1 Are actual revenues and expenses consistent with the most current budget? . . . . . ✓
- 3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? . . . ✓
- 3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum? . . . . . ✓
- 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? . . . . . ✓
- 3.5 Do the district's responses fully explain the variances identified in the criteria and standards? . ✓
- 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? . . . . . ✓
- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? . . . . .  ✓   
*The district does not use a hard stop to prevent the creation of a purchase requisition when a budget line allocation has been exhausted. However, the director of fiscal services will seek a budget transfer sufficient to cover any shortfall prior to final purchase order approval. It is best practice to use a hard stop in the financial system, if the system permits, to control and monitor spending.*
- 3.8 Does the district encumber and adjust 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? . . . . . ✓
- 3.10 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? . . . . . ✓

<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 type="checkbox"/>	<input type="checkbox"/>
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district typically completes a cash flow projection at each reporting period for the current year only. The district completed a cash flow projection for the current and subsequent year for the 2020-21 45-day budget revision and determined that it would not have an issue with cash flow.</i>			
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district has transferred funds to the cafeteria fund in each of the current and two prior years to cover operating deficits, and its 2020-21 first interim MYFP projects that the transfers will continue. A basic review of cash in other funds indicates that cash is sufficient to support the district's current obligations.</i>			
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.7	If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
<b>5. Charter Schools</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
5.1	Are all charters authorized by the district going concerns? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.2	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.3	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"/>	✓
5.4	Does the district have a board policy or other written document(s) regarding charter oversight? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.5	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"/>	✓
<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 type="checkbox"/>	<input type="checkbox"/>
6.2	Has the district settled with all its bargaining units for the current year? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? . . . . .     
*The limited documents provided to FCMAT related to the disclosure of collective bargaining were not sufficient for FCMAT to determine the accuracy of calculations. No documents were provided for the 2018-19 fiscal year.*
  
- 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? . . . . .     
*FCMAT could not determine whether a presettlement analysis was prepared for the 2018-19 fiscal year because no documents were provided.*
  
- 6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA)? . . . . .     
*The district settled for 1% off the salary schedule for certificated and classified bargaining groups in 2020-21; the 2020-21 funded COLA was 0.00%.*
  
- 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? . . . . .
  
- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?. . . . .     
*The Assembly Bill (AB) 1200 documents included with board agendas were not signed by the superintendent/CBO. Answers to FCMAT’s inquiry revealed a belief that they should be signed after board approval.*
  
- 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? . . . . .     
*Individuals interviewed stated that contributions to restricted programs and transfers to other funds are discussed with the board. If program funding is ending, the board determines whether the district will terminate the program or whether the program will continue with a contribution from unrestricted funds. The district prepares the MYFP by resource and projects a contribution to programs that have insufficient funding until the board decides whether the program will continue. The district has ongoing conversations about strategies to reduce the unrestricted contribution to special education.*  
  
*The district has an extremely low student eligibility for free and reduced-price meals, and low paid meal participation. This makes it extremely challenging to operate a quality nutrition program without supplemental financial support from the unrestricted general fund. Because of this, the cafeteria fund is dependent on an annual contribution of approximately \$300,000.*

- 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 district's 2020-21 first interim report projects deficit spending of \$372,592 in the unrestricted general fund in the current fiscal year. The board subsequently approved budget reductions, reducing the deficit at second interim to \$163,740.*
- 8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years? . .     
*The district's 2020-21 first interim report MYFP projected unrestricted general fund deficit spending of \$2.25 million in 2021-22 and \$3.25 million in 2022-23. On September 10, 2020 the board adopted Resolution 21-05, Committing to Meet Financial Obligations and Maintaining Fiscal Solvency.*
- 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? . . . . .
- 8.4 Has the district decreased deficit spending over the past two fiscal years? . . . . .     
*At 2020-21 first interim, the district projected unrestricted general fund deficit spending of \$372,592. The district had a surplus of \$352,618 in 2019-20 and a deficit of 71,625 in 2018-19.*

Fiscal Year	Unrestricted	Restricted	Combined
2017-18	\$(234,935.52)	\$(314,317.44)	\$(549,252.96)
2018-19	(71,624.64)	551,314.76	479,690.12
2019-20	352,618.29	(77,264.91)	275,353.38
2020-21 (1st Interim)	(372,592.08)	(312,041.82)	(684,633.90)

**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 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? . . . . .
- 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? . . .

**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 had modest (approximately 1%) increases in enrollment in the two prior years but experienced a decline of 107 students (4.4%) in the 2020-21 school year. The district attributes the decline to parents seeking alternative schooling options such as private schools and home schooling because of the closure of schools to in-person instruction due to COVID-19.*

	2017-18	2018-19	2019-20	2020-21
Fall 1 Cert.	2370	2394	2424	2317
Inc/(Dec)		24	30	-107
% Inc/(Dec)		1%	1.3%	-4.4%

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)? . . . . .

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

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

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

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

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? . . . . .

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 does not use its facilities fully in accordance with the OPSC loading standards. Three out of four sites are below 70% capacity, with one site at 50% capacity. Only one site of four is at 90% capacity or above. Average capacity at all schools (excluding alternative education) is 63.6%. In interviews, district staff indicated*

the excess classroom space is used for special education or other pull-out instruction or for storage. If excess classroom space is not left unused and closed off, the district incurs more costs for cleaning, maintenance and utilities than would otherwise be necessary.

Site	Classrooms	TK-6	7-12	Classrooms Needed	Capacity
Templeton Elementary School	28	348		14	50.0%
Vineyard Elementary School	29	367		15	51.7%
Templeton Middle School	21	122	365	19	90.5%
Templeton High School	40		707	27	67.5%
District Average	118			75	63.6%

The district reports that facilities usage was affected as a result of shifts in student enrollment during the 2020-21 school year. Approximately 300 students who normally enrolled in Templeton Elementary, Vineyard Elementary, Templeton Middle School, and Templeton High School instead enrolled in the district’s alternative education programs for one school year as a COVID pandemic-specific temporary choice. The enrollments at each of these school sites would have otherwise reflected a more accurate use of those schools’ facilities.

- 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? . . . . .

The district’s most recent facilities master plan was developed in 2012-13. The district indicated that it intends to update the plan.

**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? . . . . .

The district’s 2020-21 first interim MYFP projected a reserve of 0.50% in 2021-22 and a reserve of negative 11.19% in 2022-23.

The board approved a budget reduction plan at its March 9, 2021 meeting. The district’s 2020-21 second interim MYFP shows the reserve levels will be restored in the subsequent years. The reductions noted in this plan increase reserve levels to 6.6% in 2021-22 and 5.99% in 2022-23.

- 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? . . . . .
- The unrestricted general fund balance, presented in the district’s first interim MYFP, is projected to decrease from \$2,385,673 to \$136,330 in 2021-22 and to negative \$3,110,918 in 2022-23.*
- 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? . . . .
- 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? . . .
- According to the district’s 2020-21 first interim report, the district allocates 91.7% of its general fund unrestricted expenditure budget to salaries and benefits for the 2020-21 fiscal year. The statewide average for unified school districts in 2019-20 (the latest data available) was 87.9%.*
- 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 percentage of the district’s general fund unrestricted expenditure budget allocated to salaries and benefits was 90.5% in 2018-19 and 93.7% in 2019-20. The statewide average for unified school districts was 87.0% in 2018-19 and 87.9% in 2019-20.*
- 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 does not charge indirect costs at the maximum allowable rate for each restricted resource. Indirect costs are not charged to some special education and other resources. District staff indicated that indirect costs may not be charged to programs that already receive a contribution from the unrestricted resource. Indirect cost charges give LEAs an efficient and standardized way to recover some general management costs from individual programs. Charging each program and fund the maximum allowable rate allows a district to track the full, true cost of each program. The district should charge the full indirect cost rate to all allowable restricted programs and funds even when it results in or increases a contribution from the unrestricted general fund.*

**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 and is not fiscally independent, is there an automated interface with the financial system used by the county office of education? . . . .   ✓
- 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) . . . . ✓
  - Accounts receivable (AR) . . . . ✓
  - Purchasing and contracts. . . . ✓
  - Payroll . . . . ✓
  - Human resources (i.e., duties relative to position control and payroll processes) . . . . ✓
- 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? . . . . ✓
- 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? . . . . ✓
- 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? . . . . ✓
- 15.9 Does the district have an internal audit process? . . . .  ✓

*The district does not have a formal internal audit process, but it does monitor and review most business processes closely, and for many processes it has implemented mitigating controls, including multiple layers of review and approval.*

**16. Leadership and Stability**

**Yes No N/A**

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

16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The current superintendent/CBO served as interim superintendent for the 2019-20 fiscal year and as superintendent/CBO for fiscal year 2020-21. Although the superintendent/CBO has not served in this capacity for more than two years, he did serve as the district CBO for the past 13 years and has a strong knowledge of the district's institutional history.</i>			
16.3	Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.4	Is training on financial management and budget provided to site and department administrators who are responsible for budget management? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.5	Does the governing board adopt and revise policies and administrative regulations annually? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.6	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.7	Do all board members attend training on the budget and governance at least every two years? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.8	Is the superintendent's evaluation performed according to the terms of the contract? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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"/>

**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? . . . . .	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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 type="checkbox"/>
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 type="checkbox"/>
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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 type="checkbox"/>

**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 type="checkbox"/>
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 type="checkbox"/>
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)? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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)? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district does not charge indirect costs to all special education resources. The district budgets and charges \$10,000 to the special education budget annually for legal fees; anything over that amount is charged to the unrestricted general fund. Staff indicated that this is done to meet the maintenance of effort requirement.</i>			
20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

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

**17.9%**

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

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

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

**High**

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