FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

May 31, 2023

Auburn Union Elementary School District

Michael H. Fine
Chief Executive Officer

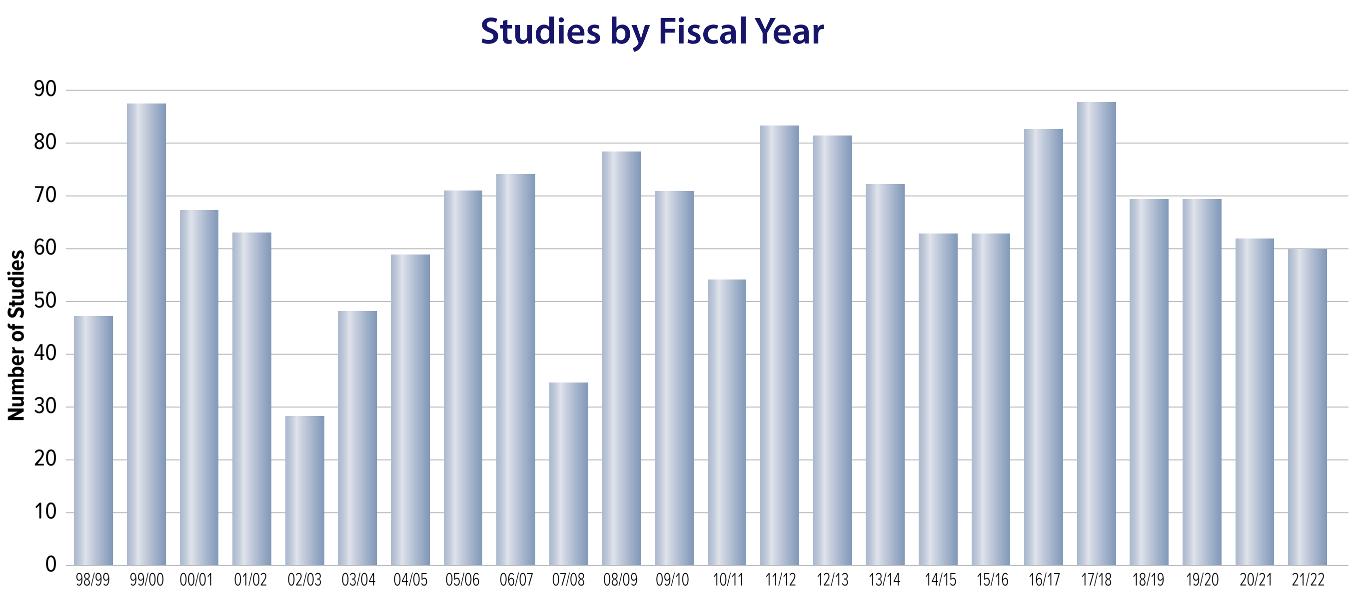
Contents

About FCMAT

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

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

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



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

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

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

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

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

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

Introduction

Background

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

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

Under these conditions, FCMAT will perform a fiscal health risk analysis to determine the level of risk for insolvency. FCMAT has updated its Fiscal Health Risk Analysis (FHRA) tool that weights each question based on high, moderate and low risk. The analysis will not be performed more than once in a 12-month period per district, and the engagement will be coordinated with the county superintendent and build on their oversight process and activities already in place per Assembly Bill (AB) 1200. There is no cost to the county superintendent or to the district for the analysis. This fiscal health risk analysis is being conducted because the district received a "lack of going concern" designation from the county superintendent in February 2023, under which an analysis is required by the 2018-19 state Budget Act.

Located in Placer County, the Auburn Union Elementary School District has a five-member governing board and serves approximately 1,548 students in transitional kindergarten through eighth grade (TK-8) at three elementary schools, one middle school and one district-operated charter school. According to data from the California Department of Education (CDE), student enrollment was 2,060 in 2014-15 and has decreased every year since, except for 2019-20 when it had a slight increase. The district's unduplicated pupil percentage, which includes students who are English learners, foster youth, or qualify for free or reduced-price meals, is 49.54%.

The district's 2020-21 and 2021-22 unaudited actuals reports did not show deficit spending in the unrestricted general fund, but according to the 2022-23 first interim report Standardized Account Code Structure (SACS) Form 01, the district projects to deficit spend $276,901. However, the multiyear projection included with the first interim projected deficit spending of $314,512 in 2022-23. Although the first interim report did not project any deficit spending in the two subsequent years, the county office analysis identified numerous adjustments that needed to be made and included a certificated salary agreement because it was approved at the same board meeting. Once the adjustments and certificated bargaining settlement were included, the county estimated that the district would deficit spend $236,076 in 2024-25.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency. The 2022-23 first interim was used as the financial reporting period for FCMAT's analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Auburn Union Elementary School District in March 2023, and a study team visited the district on April 10-12, 2023 to conduct interviews, collect data and review documents. Following fieldwork, the FCMAT study team held two interviews virtually on April 18 and 24, 2023 and continued to collect, 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:

Shayleen Harte
FCMAT Deputy Executive Officer

Michelle Giacomini
FCMAT Deputy Executive Officer

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

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: April 10-12, 18 and 24, 2023

District: Auburn Union Elementary School District

Summary

The district self-certified as qualified for the 2021-22 first interim reporting period. A qualified certification means that the district may not be able to meet its financial obligations for the current or two subsequent fiscal years. In its oversight letter, dated January 14, 2022, the Placer County Office of Education cautioned the district about budget shortfalls because of deficit spending that would result in the district being unable to meet its minimum required reserve levels in 2022-23 and 2023-24 unless reductions were made. The letter also identified a concern with the use of outdated information regarding the district's cash flow. The county office directed the district to submit a board-approved resolution and fiscal recovery plan prepared as a multiyear projection for restricted, unrestricted and combined general funds, including detailed assumptions, by March 15, 2022.

In its 2021-22 second interim oversight letter, dated April 15, 2022, the county office changed the district's self-certification from qualified to positive based on its review and the district's board-approved fiscal recovery plan on March 16, 2022, which identified ongoing expenditure reductions of $1.69 million and $1.63 million in 2022-23 and 2023-24, respectively, projecting that the district would be able to meet its minimum 3% reserve level in all three years of the projection. The county office requested but did not receive additional information on assumptions and calculations used for the projected cost savings of the board-approved reductions. The letter also indicated that the charter's budgeted revenue was not updated to match the Local Control Funding Formula (LCFF) calculator, that some items budgeted did not appear reasonable, and that some reductions identified in the fiscal recovery plan could affect the Local Control and Accountability Plan (LCAP), including items that had historically been budgeted to increase or improve services for unduplicated students.

In its 2022-23 adopted budget oversight letter, dated September 15, 2022, the county office noted concerns that the district's 2021-22 second principal attendance period (P-2) and annual attendance were being questioned by the CDE due to inconsistencies and that the district was expected to receive an audit finding. The county office again cited the concern that the charter's budgeted revenue was not updated to match the LCFF calculator and that specific cuts from the fiscal recovery plan were not clearly identified nor savings clearly articulated in the budget report. In addition, the county office was concerned with inaccurate budgeting resulting in errors in funds that could necessitate contributions from the general fund.

The county office's review of the 2021-22 unaudited actuals identified concerns about errors in attendance accounting and a routine restricted maintenance account contribution that was computed incorrectly and understated, which should have been discovered during the analysis of final unaudited figures.

The 2022-23 first interim oversight letter again identified concerns with financial inaccuracies such as salaries and benefits that had been budgeted twice, beginning fund balances not included in the SACS forms presented to the board, some revenue being overstated, the use of prepandemic attendance rates, inaccurately quantified disclosure of the costs related to a tentative salary agreement, a large increase in the contribution to special education, and an incorrect beginning balance in the cash flow report. The county office continued to have concerns that the charter's budgeted revenue was not updated to match the LCFF calculator and that the specific cuts and savings included in the budget related to the fiscal recovery plan were still not identified.

The county office cited "concerns that have grown over time and continue to grow with no corrections," as a basis for its determination that the district is a lack of going concern requiring intervention.

The fiscal health risk analysis shows the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to its fiscal distress. Significant risk factors include, but are not limited to, budget development and monitoring; cash management; analysis and disclosure of tentative collective bargaining agreements; deficit spending; enrollment and attendance processes and procedures; internal controls and fraud prevention; and leadership and stability.

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

District Fiscal Solvency Risk Level: High

About the Analysis

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

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

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

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

Areas of High Risk

The following sections 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 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	☐	✓

	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 are subject to minor rounding error and are provided for information only.

1.	Annual Independent Audit Report	0.5%
2.	Budget Development and Adoption	3.9%
3.	Budget Monitoring and Updates	5.5%
4.	Cash Management	6.5%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	4.1%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.5%
9.	Employee Benefits	0.0%
10.	Enrollment and Attendance	3.9%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	1.8%
14.	Information Systems and Data Management	2.0%
15.	Internal Controls and Fraud Prevention	7.4%
16.	Leadership and Stability	3.3%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.5%
20.	Special Education	1.4%

Score	**48.4%**

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 did not include any findings.

The 2020-21 audit report included three findings: that the associated student body account reconciliation was not done in a timely manner; that the district exceeded the allowable ratio of administrative employees to teachers; and that the district's expenditures related to classroom teacher salaries did not meet or exceed 60% of the total current expense of education in the general fund. The finding regarding the ratio of administrative employees to teachers had a calculated penalty of $298,827. The district resolved this deficiency by reevaluating and restating its employee ratio worksheet and providing the CDE and its auditors with corrected supporting documents. The auditor inspected the related supporting documents and issued a letter to the CDE stating that the district no longer exceeded the allowable maximum administrator-to-teacher ratio and, as a result, should no longer be required to pay a fiscal penalty related to the original finding.

The district's 2021-22 audit report was not completed until April 18, 2023, after FCMAT's fieldwork. The audit found the following seven material weaknesses:

- *Internal controls over financial reporting, resulting in an overstatement of the general fund balance by $1,227,143 and the charter school fund balance by $117,362.*
- *Noncompliance with attendance reporting, resulting in an overstatement of one student's attendance by one day, with no fiscal impact.*
- *Clerical errors in accounting for independent study, resulting in an overstatement of 1.42 average daily attendance (ADA) with a fiscal impact of $14,297.*
- *Improperly admitting students to school without required immunizations and claiming ADA, with a fiscal impact of $12,565.*
- *Clerical errors in unduplicated pupil counts, resulting in a reduction of LCFF revenues by approximately $34,907.*
- *Incorrectly budgeting costs and applying the indirect cost rate for facilities usage, resulting in the indirect costs being overstated by $5,467.*
- *Noncompliance with the requirement that classroom teacher salaries equal or exceed 60% of the total current expense of education in its general fund. This is a repeat finding, and its fiscal impact has not yet been determined.*

		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.)	☐	✓	☐

Education Code (EC) 41020(h) requires that a district's audit for the preceding fiscal year be filed with the county superintendent of schools, the CDE and the State Controller no later than December 15.

EC 41020.3(a) requires that the audit be presented to the board by January 31 of each year.

For the 2021-22 audit, the district was granted an extension to April 15, 2023. The audit was dated April 18, 2023 and was presented to the board on May 11, 2023.

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

See question 1.1 above.

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

The district agrees with the auditor's recommendations contained in the 2021-22 audit and will endeavor to implement all recommendations. See question 1.1 above for information about the 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 June 22, 2022 board agenda attachment for the district's 2022-23 budget has clearly written assumptions for the multiyear projections. However, the district's budget year assumptions do not include some of the same information, such as step-and-column increases. In addition, there are no explanations of variances between the 2021-22 estimated actuals and the 2022-23 adopted budget expenditures, some of which are significant. For example, certificated and classified salaries are shown as decreasing without a detailed explanation that may account for a decrease even with step and column increases. The budget also includes a 46.8% reduction from the estimated actuals in books and supplies and a 40.4% reduction in services and other operating expenditures, but it includes no detailed explanation of how this will be accomplished at a time when costs for items and services are increasing.

		Yes	No	N/A
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?	✓	☐	☐
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	☐	✓	☐

The 2021-22 estimated actuals LCFF revenue for the district's charter school (fund 09) was not updated using the LCFF calculator. This resulted in an overstatement of the charter school's budgeted LCFF revenue by $187,485, which increases the general fund's transfers out to the charter school and reduces the district's unrestricted general fund balance.

		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?	✓	☐	☐

		Yes	No	N/A
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)?	✓	☐	☐
2.7	Does the district budget and expend restricted funds before unrestricted funds?	☐	✓	☐

Interviews indicated that the district has had to return several payments to the CDE because it did not spend the funds within the required timelines. See question 13.6 for more details.

		Yes	No	N/A
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?	☐	✓	☐

The county office received an official copy of the district's 2022-23 budget after the statutory deadline of July 1, 2022. An electronic (Adobe .pdf) version was received on July 1, 2022, but the printed version that the county office requires as an official submission was not received until July 20, 2022, and it did not include all items. The final required item was submitted August 30, 2022.

		Yes	No	N/A
2.9	Has the district refrained from including carryover funds in its adopted budget?	✓	☐	☐
2.10	Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?	✓	☐	☐
2.11	Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted general fund?	☐	✓	☐

The district does not have a documented policy or procedure for evaluating the proposed acceptance and potential multiyear impact of grants and other types of restricted funds.

		Yes	No	N/A
2.12	Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members/departments responsible for completing them?	☐	✓	☐

The district did not provide evidence of a budget calendar.

3. Budget Monitoring and Updates

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

According to the financial report (Comparative Object Summary report generated March 31, 2023) the district provided, several object codes have negative balances in various resources, some with no funds budgeted at all.

		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?	✓	☐	☐
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	☐	☐

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

The 2022-23 first interim criteria and standards, criterion 5, salaries and benefits, compares whether the projected ratio of total unrestricted salary and benefit costs to total unrestricted expenditures has changed from the district's historical average ratio from the three prior years by the greater of three percent or the district's required reserves percentage in any of the current year or two subsequent fiscal years. If a district does not meet the standard, it is required to explain why the change(s) exceed the standard and describe the methods and assumptions used to project salaries and benefits. The district's historical average ratio is 83.2%, so its projected ratio should not be more than 86.2%; however, it is projected to have a ratio of 88.8% in 2022-23, 2023-24 and 2024-25. Thus, it will not meet the standard.

The district's explanation for this was, "2022-23 current year is not pulling forward in SACS." Any time data is not loading correctly, the district should work with its county office to resolve the issue and ensure the data included in the financial report is accurate. If that fails and the data cannot be reported correctly, then the district should calculate and report the correct percentage in its explanation.

In the same report, criteria and standards explanations include statements such as, "one time federal funding will be spent out in 2 years," "one time state funding," "use of one time funds," and "increase in 22-23 due to onetime funding use, with reduction in subsequent years due to spend down of funds." Many of these statements lack details about which funding is being referred to and do not fully explain the variance.

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? . . . . ☐ ✓ ☐

Several of the 2021-22 and 2022-23 letters to the district from the county office have raised concerns about multiyear deficit spending and the inaccuracy of data reported. The 2022-23 first interim letter notes the following inaccuracies:

- *Beginning fund balances were not included in the SACS forms presented to the board.*
- *Unrestricted lottery revenue was overstated by approximately $300,000.*
- *Salaries and benefits were budgeted twice for several employees due to an error in uploading information to the budgeting model.*
- *A $1.1 million overstatement of projected salary and benefit expenditures.*
- *Indirect costs for several resources were higher than the district's maximum approved rate allowed by the state.*

The first interim multiyear projection presented to the board included deficit spending of $314,512 in the budget year but did not include the fiscal impact of a settlement that the board approved at the same meeting. When the county office included the adjusted corrections from above and the impact of the board-approved settlement, it reduced the deficit spending to $62,192 in 2022-23 but increased it to $236,076 in 2024-25.

In addition, as part of the county office's review of the district's unaudited actuals Form CEA for 2020-21, the county office informed the district that, per EC 41372, it was deficient by $989,535 in meeting its required level of expenditure on classroom teacher salaries. This deficiency was not corrected and thus continued, as outlined in the district's 2021-22 audit report (see question 1.1).

		Yes	No	N/A
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	☐	✓	☐

In interviews, employees indicated that the financial system is set up to alert the user who enters a transaction if an account code has insufficient budget available, and only the chief business official (CBO) can enter a password to override the warning and continue the transaction with an insufficient budget. The district's Comparative Object Summary report generated March 31, 2023, shows numerous object codes with negative balances in various resources.

		Yes	No	N/A
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?	☐	✓	☐

The district did not provide evidence that balance sheet accounts in the general ledger are reconciled at least at each interim report and at year-end close.

		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?	☐	✓	☐

Although the district and its governing board are adopting interim reports and unaudited actuals on time, it is not filing the official versions of these with the county superintendent of schools in a timely manner. The district does file an electronic version on time, but the county superintendent does not consider the filing complete until a hard copy is submitted.

In addition, submissions have had technical errors that were not corrected (2021-22 unaudited actuals), or have lacked required forms that were not submitted until considerably after the deadline (including the SACS dataset at 2022-23 first interim).

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?	☐	✓	☐

In both the 2020-21 and 2021-22 audits' Financial Statement Findings sections, the June 30, 2021 reconciliation had not been completed for the associated student body cash account.

		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 district completes a cash flow projection for the current year but not for the subsequent year.

		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?	☐	✓	☐

Because the district does not complete a cash flow projection for the subsequent fiscal year, it cannot determine if it has enough cash to meet its projected obligations or to develop a plan to meet its cash flow needs, if any.

		Yes	No	N/A
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	☐	☐

		Yes	No	N/A
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.	✓	☐	☐
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?	☐	✓	☐

Interviews indicated that negotiations have not been settled with the classified bargaining unit for 2022-23.

		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?	☐	✓	☐

Detailed calculations of the cost and ongoing fiscal impact of each settlement agreement were not provided, except for the 2022-23 Auburn Union Teachers Association (AUTA) and California School Employees Association (CSEA) settlements.

After reviewing the AUTA 2020-21 tentative agreement, which the governing board approved on April 12, 2021, the county office's response letter noted that a one-time payment of $3,600 to the AUTA bargaining unit members, prorated based on full-time equivalent status, was admittedly not coded to the actual funding source for simplicity, and noted that it would be corrected at estimated actuals. The district should ensure that the effects of negotiations are included accurately in its 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?	✓	☐	☐
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)?	☐	✓	☐

In its notice of going concern determination letter dated February 8, 2023, the county office cited some historical issues as its basis of determination, including the district giving all bargaining units a 4.48% ongoing increase for fiscal year 2021-22, as well as one-time payments in fiscal year 2021-22 for certificated employees and in fiscal year 2020-21 for all employee groups. The county office states that the combined effect of the ongoing increases and the one-time payments increased the settlements to more than the combined COLA for the two years.

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

Most of the public disclosure of collective bargaining agreements provided do not include the superintendent's or CBO's signatures. A review of board agendas showed that neither the superintendent nor the CBO signed the disclosures provided to the board for approval to certify that the district could afford the agreement. Interviews indicated they were signed after they were approved by the board.

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

See question 6.8 above.

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 $3,054,873 in 2020-21, $2,854,421 in 2021-22, and are projected to be $4,691,364 at first interim 2022-23. The district also transferred $146,000 to its charter fund in 2021-22 and was projected to transfer $187,476 at first interim 2022-23. In addition, the district projects that it will transfer $145,763 to the cafeteria fund and $381,140 to its deferred maintenance fund in 2022-23. The district lacks 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?	✓	☐	☐

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 2022-23 first interim financial report SACS Form 01 projected deficit spending of $276,901 in the budget year; however, the multiyear projection included with the first interim projected deficit spending of $314,512.

		Yes	No	N/A
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	☐	✓	☐

Although the district's 2022-23 first interim financial report multiyear projection did not include any deficit spending in the two subsequent fiscal years, the county office analysis identified numerous adjustments that needed to be made and included a certificated salary agreement because it was approved at the same board meeting.

According to the county office first interim response letter dated January 18, 2023, once the adjustments and certificated bargaining group settlement were included, the unrestricted general fund deficit in 2024-25 was estimated to be $236,076.

		Yes	No	N/A
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?	☐	✓	☐

According to unaudited actual reports for 2020-21 and 2021-22, the district did not deficit spend in either year but is projected to deficit spend in 2022-23 (see question 8.1 above).

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?	✓	☐	☐
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?.	☐	✓	☐

According to DataQuest, the district's total enrollment (including the district-operated charter) has declined by 11.09%, from 1,741 students in 2020-21 to 1,548 students in 2022-23.

		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 (P-2)?	☐	✓	☐

Interviews indicated the district does not have a procedure to monitor and analyze enrollment and ADA at least monthly through P-2.

		Yes	No	N/A
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?	☐	✓	☐

The 2021-22 audit's Schedule of Audit Findings and Questioned Costs had several audit findings related to enrollment and attendance, including the following:

- *At E.V. Cain Middle School, one student was improperly recorded as present, resulting in an overstatement of one day of attendance.*
- *For two students, the district could not provide supporting signed independent study agreements for the last five days of school at E.V. Cain Middle School.*
- *The district could not provide a calculation of the independent study ratio required by EC 51745.6.*

- *At Auburn Elementary, student work samples could not be provided for one student.*
- *For one student, the independent study master agreement did not include the beginning and ending dates of the program at Auburn Elementary.*

In addition, the CDE has questioned the district's P-2 and annual attendance reporting because of inconsistencies.

		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?	✓	☐	☐
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?	☐	✓	☐

No documents provided or information from interviews indicated that the district has collaborative processes and procedures at the school or department level for reviewing and verifying CALPADS data before submission.

		Yes	No	N/A
10.8	Has the district planned for enrollment losses to charter schools?	✓	☐	☐
10.9	Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?.	✓	☐	☐
10.10	Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?	✓	☐	☐

11. Facilities

		Yes	No	N/A
11.1	If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	✓	☐	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	☐	☐	✓
11.3	Does the district properly track and account for facility-related projects?	☐	☐	✓
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	☐	✓	☐

As a result of declining enrollment, the district does not use its facilities fully in accordance with the Office of Public School Construction's loading standards. The district reports its facility capacity as 2,083 students. According to DataQuest, its 2022-23 enrollment was 1,548 students, which was 74.3% of its reported capacity. Excess capacity can result in unnecessary operating expenditures.

The district's governing board has approved the closure of an elementary school at the end of the 2022-23 year, and after FCMAT's fieldwork it also approved closure of the district-operated charter school at the end of 2022-23.

		Yes	No	N/A
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 Facility Master Plan is dated May 2017. The district provided the board an update to the 2017 plan at the September 8, 2021 meeting.

12. Fund Balance and Reserve for Economic Uncertainty

		Yes	No	N/A
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	☐	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	☐	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	✓	☐	☐
12.5	If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level?	✓	☐	☐

13. General Fund – Current Year

		Yes	No	N/A
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	✓	☐	☐
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 2022-23 first interim report, 88.8% of its general fund unrestricted expenditure budget is allocated to salaries and benefits. According to Ed-Data, the statewide average for elementary districts as of 2021-22 (the latest data available) was 87.0%.

		Yes	No	N/A
13.3	Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?	✓	☐	☐
13.4	If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?	☐	☐	✓
13.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	✓	☐	☐
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	☐	✓	☐

Interviews indicated that the district has had to return several payments to the CDE because it did not spend the funds within the required timelines, including approximately $50,000 for after-school education and safety in November 2022, $5,000 for Title III-EL in August 2022, and $2,000 for Title III-Immigrant in January 2021.

		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 2022-23 first interim report shows that it does not budget and charge the maximum allowable indirect cost rate to all its restricted resources and other funds. The district should budget and charge the maximum 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 2022-23 first interim report also shows that the district is charging more than the maximum allowable indirect costs to some resources.

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?	☐	✓	☐

According to the county office 2022-23 first interim response letter, numerous adjustments needed to be made to the district's financial data. For example, salaries and benefits were budgeted twice because of an error uploading information to the budget model. Also, beginning fund balances were not included in the first interim SACS forms presented to the board. This indicates that the district is not pulling key financial information from its system to discern the accuracy of the data reported.

		Yes	No	N/A
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?	☐	✓	☐

According to its 2021-22 audit, the district had a material weakness finding related to the unduplicated pupil count because it could not provide supporting documents for one student included in the free and reduced-price meal program and another included as an English learner. The errors reduced the unduplicated pupil percentage (UPP) from 56.77% to 56.42%, which results in an LCFF revenue reduction of approximately $34,907.

		Yes	No	N/A
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?	☐	✓	☐

The district uses the ESCAPE financial system, which is hosted and supported by the county office. Although the system can provide the necessary controls to limit access, including multiple levels of authorization, the district has not properly segregated duties or put controls in place. For example, individual employees have access to a variety of the system modules in ESCAPE, and there is no evidence that users' *assigned access limits the ability to add, delete or modify the employee or vendor data needed to create and approve transactions.*

15.2 Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually? . . . ☐ ✓ ☐

Interviews indicated that the Information Technology (IT) Department has established a process to run a bimonthly review to ensure terminated employees no longer have access to the financial system. However, the IT Department's review has indicated that some contractors are not terminated from the system when their contracts end, and that terminated employees often remain active in the system while their paperwork awaits final administrators' signatures on the P63 form.

15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:

- Accounts payable (AP) . . . ☐ ✓ ☐

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

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

- Accounts receivable (AR) . . . ☐ ✓ ☐

  Although interviews indicated that cash is double counted when it is brought from the schools to the district office, it was not clear that it was double counted whenever it changed hands as it went into and out of the safe. The funds are also not kept in tamper-resistant bags.

- Purchasing and contracts . . . ✓ ☐ ☐
- Payroll . . . ☐ ✓ ☐

  Interviews indicated the district plans to change this, but at the time of FCMAT's fieldwork one staff member was responsible for adding new employees to the financial system and preparing and processing payroll. This employee could create a fictitious employee and generate payment and potentially pay that employee.

  Procedures for distributing warrants could be further improved by ensuring the staff member responsible for preparing and processing payroll is not also responsible for receiving payroll warrants from the county office and distributing them to staff.

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

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? . . . ☐ ✓ ☐

The district's 2022-23 first interim report did not include a beginning fund balance for multiple funds, such as the general fund (01), the charter school fund (09), and the cafeteria fund (13).

		Yes	No	N/A
15.5	Does the district review and work to clear prior year accruals throughout the year?	☐	✓	☐
	Several accounts receivable items accrued in 2021-22 were not cleared according to the Fiscal05, Account Summary-Balance report dated March 31, 2023. Examples include the following resources: 0770 ($8,537.39), 3311 ($11,396), 3315 ($425), 3327 ($20,883), 6536 ($14,049), and 6537 ($35,098).			
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	☐	☐
15.7	Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐
	Interviews indicated that the district does not 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?	☐	✓	☐
	Interviews indicated that the district does not have a process for collecting and following up on reports of possible fraud.			
15.9	Does the district have an internal audit process?	☐	✓	☐
	The district has no established 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 district's CBO started with the district in October 2021.			
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years?	✓	☐	☐
16.3	Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?	✓	☐	☐
16.4	Is training on financial management and budget provided to site and department administrators who are responsible for budget management?	☐	✓	☐
	Interviews indicated that school and department administrators who are responsible for budget management have not had any recent training on financial management and budgeting.			
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?	☐	✓	☐
	Interviews indicated that the district lacks a process to effectively communicate to employees any newly adopted or revised board polices and administrative regulations.			
16.7	Do all board members attend training on the budget and governance at least every two years?	☐	✓	☐
	No evidence was provided to show that all board members attend training on the budget and governance at least every two years.			

		Yes	No	N/A
16.8	Is the superintendent's evaluation performed according to the terms of the contract?	☐	✓	☐

Interviews and 2022-23 board agendas indicate that several closed session meetings have included an item regarding the superintendent's evaluation; however, board minutes do not show approval of the evaluation.

17. Multiyear Projections

		Yes	No	N/A
17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	✓	☐	☐
17.2	To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?	☐	✓	☐

As indicated in the 2022-23 LCAP and adopted budget letter from the county office, the district did not update the charter school's 2021-22 estimated actuals LCFF revenue to match the LCFF calculator, and as a result it was $187,485 higher than the LCFF calculator. Overstating LCFF revenue in the charter fund decreases the unrestricted general fund balance because the general fund must increase its transfers to the charter school to balance that fund.

		Yes	No	N/A
17.3	Does the district use its most current multiyear projection in making financial decisions?	✓	☐	☐
17.4	If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?	☐	✓	☐

In its 2022-23 first interim report, the district used a summary spreadsheet to present its multiyear projection rather than Form MYPI. The spreadsheet did not show broad adjustment categories. However, in its 2020-21 adopted budget, the district included unspecified reductions of $1.45 million in 2021-22 and $3.45 million in 2022-23 without a detailed list of what was included in those adjustments.

18. Non-Voter-Approved Debt and Risk Management

		Yes	No	N/A
18.1	Are the sources of repayment for non-voter-approved debt {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others} stable, predictable, and other than unrestricted general fund?	✓	☐	☐
18.2	If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?	✓	☐	☐
18.3	If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?	☐	☐	✓
18.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	✓	☐	☐

19. Position Control

		Yes	No	N/A
19.1	Does the district account for all positions and costs?	✓	☐	☐

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

The district has adopted several classified staffing ratios, and it reports that it uses these when hiring staff, but documentation showing that these were used to analyze and adjust staffing was not provided to FCMAT.

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

Interviews indicated the district has no formal process to regularly reconcile budget, payroll, and position control at budget adoption and interim reporting periods.

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

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

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

Interviews indicated that human resources, payroll, and budget staff do not meet regularly to discuss issues and improve processes.

20. Special Education — Yes No N/A

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

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

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

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

The district does not charge the full allowable indirect cost rate to all its special education resources, and at the same time it overcharges indirect costs to some special education resources. This results in an inaccurate accounting of the true costs of these programs. It is not known whether other costs existed that should have been charged to the special education program.

20.5 Is the district's contribution rate to special education at or below the statewide average contribution rate? . . . . ☐ ✓ ☐

The district did not provide any special education maintenance of effort documents, so FCMAT could not determine its contribution rate to special education.

20.6 Is the district's rate of identification of students as eligible for special education at or below the countywide and statewide average rates? . . . . ☐ ✓ ☐

The district's 2022-23 identification rate was 14.86%, which is higher than the countywide rate of 12.04% and the statewide rate of 13.07% for the same period.

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

The district did not provide any evidence that it analyzes whether it will meet the maintenance of effort requirement at each interim reporting period. The SEMAI form was not included with the district's 2022-23 first interim report.

Risk Score, 20 numbered sections only: **48.4%**

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.)