

Fiscal Health Risk Analysis

October 23, 2023



Calaveras Unified School District

Michael H. Fine
Chief Executive Officer

October 23, 2023

Mark Campbell, Superintendent
Calaveras Unified School District
3304 B Highway 12
San Andreas, CA 95249-0788

Dear Superintendent Campbell:

In July 2023, the Calaveras Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

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

This fiscal health risk analysis is required by California's 2018-19 Budget Act because the district has been designated a lack of going concern by the county superintendent of schools.

This final report contains the fiscal health risk analysis report with the study team's findings and recommendations.

FCMAT appreciates the opportunity to assist the Calaveras Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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 Comparison of 2018 Results to 2023 FHRA Results by Section

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 2018 FHRA for Calaveras Unified School District

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 Study Agreement

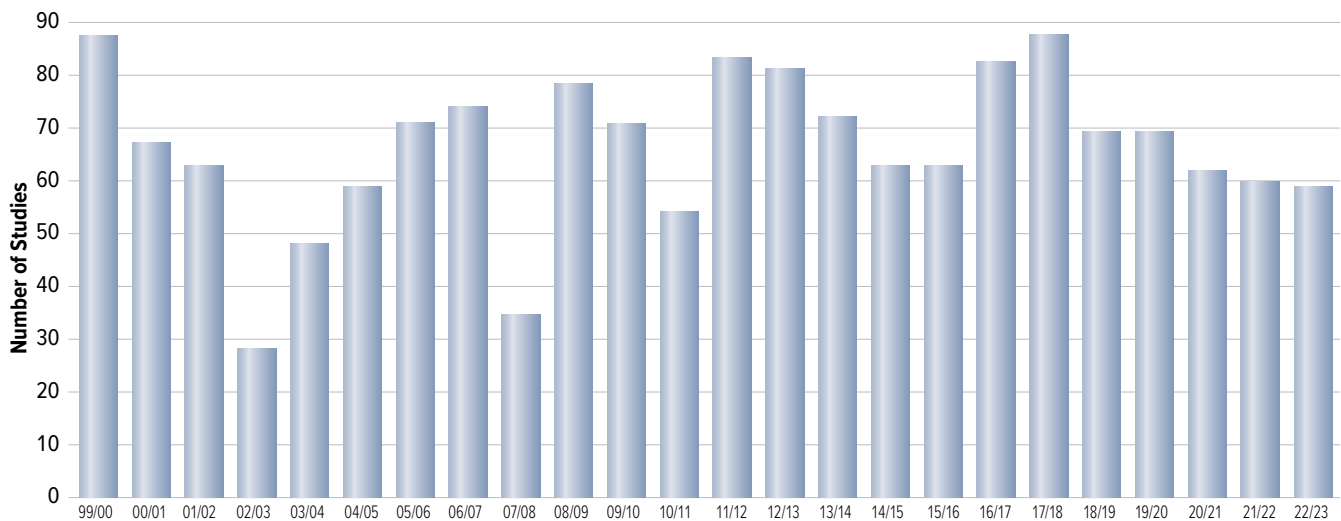
About FCMAT

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

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

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

Studies by Fiscal Year



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

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

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

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

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

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

Introduction

Background

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

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

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

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

- "Lack of going concern" designation

In a letter from the Calaveras County Office of Education, dated June 5, 2023, the county office declared the district a lack of going concern, in accordance with Education Code (EC) 42127.6.

Located in Calaveras County, the Calaveras Unified School District has a five-member governing board and serves approximately 2,900 students in transitional kindergarten through grade 12. According to data from the California Department of Education (CDE), student enrollment was 3,079 students in 2014-15. Enrollment decreased for a number of years, to 2,814 in 2018-19, and then increased to 2,875 in 2019-20 just prior to the pandemic. Once the pandemic occurred, there was an initial steep decline in enrollment followed by a couple of years of growth to its current enrollment. The district's unduplicated pupil percentage, which includes students who are English learners, and/or foster youth, and/or qualify for free or reduced-price meals, is 48.86%.

FCMAT performed an FHRA to determine the district's level of risk for insolvency. The 2022-23 second interim report was used as the financial reporting period for FCMAT's analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Calaveras Unified School District in July 2023, and a study team conducted virtual interviews on August 22, 23, 29 and 30. Following fieldwork, the FCMAT study team continued to receive additional documents and reviewed and analyzed all documents provided. 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

Jennifer Noga
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 TK-12 School Districts



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Date(s) of fieldwork: August 22, 23, 29, and 30, 2023

District: Calaveras Unified School District

Summary

In its 2022-23 second interim report, the district self-certified as qualified, and the county office of education agreed with that self-certification. 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 addition, the second interim report showed projected deficit spending of \$1,846,022 in 2022-23, \$1,456,942 in 2023-24, and \$6,308,831 in 2024-25.

The district's unaudited actuals reports for 2019-20 and 2020-21 do not show deficit spending in the unrestricted general fund. In the same report for 2021-22, the district projected deficit spending of \$1,034,522 in the unrestricted general fund. This is at a time when the district had unprecedented one-time monies related to the COVID-19 pandemic. Although restricted, those one-time funds allowed many school districts in California to use the money in a way that provided relief to the unrestricted general fund.

In its second interim oversight letter dated April 14, 2023, the county office notes a concern with the district's large deficits, which result in inadequate reserves beginning with the 2023-24 fiscal year. As a result, the county office required the district to submit a third interim report by June 1, 2023, which is a financial statement that projects fund and cash balances through June 30 for the period ending April 30, 2023.

As previously stated, the county superintendent designated the district a lack of going concern at the beginning of June. The letter states, "the district's current year financial position worsened in that the unrestricted deficit for the year increased by \$389,531 bringing the available fund balance to meet reserve requirements to just 2.33% of expenditures." This was less than the district's 3% reserve requirement. The county superintendent assigned a fiscal advisor to the district to begin working on a fiscal solvency plan.

FCMAT's FHRA 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; fund balance and reserve for economic uncertainties; internal controls and fraud prevention; and leadership and stability.

Calaveras Unified School District is one of the few districts in the state that triggered FCMAT's FHRA twice: in 2018 and 2023. Appendix A contains a comparison of the types of responses in each analysis. Cumulatively, the number of "no" responses increased by 16 in the five years since FCMAT's initial visit. This, in addition to other concerns in the report, indicates a further deterioration in the district's financial health. The district's risk percentage also increased from 31.7% in 2018 to 45.3% in 2023.

The district should develop a plan that addresses each "no" response in this report. Creating and implementing an improvement plan, along with support from the county superintendent, should help improve the district's fiscal position.

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 FHRA as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical,

and lack of attention to these critical areas will eventually lead to a district’s failure. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

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

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

Areas of High Risk

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

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

Material Weakness Questions	Yes	No	N/A
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.3 Are all charters authorized by the district going concerns and not in fiscal distress? . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.5%
2.	Budget Development and Adoption	3.9%
3.	Budget Monitoring and Updates	2.5%
4.	Cash Management	7.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.9%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	3.5%
9.	Employee Benefits	2.0%
10.	Enrollment and Attendance	0.0%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	2.9%
13.	General Fund - Current Year	2.7%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	5.1%
16.	Leadership and Stability	3.1%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	1.0%
19.	Position Control	2.5%
20.	Special Education	1.4%
Score		45.3%

Fiscal Health Risk Analysis Questions

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

1. Annual Independent Audit Report	Yes	No	N/A
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1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health? **Yes** **No** **N/A**

At the time of FCMAT’s fieldwork, the 2021-22 audit report, which was due in December 2022, had not been completed, so its fiscal impact on the district was unknown.

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.) **Yes** **No** **N/A**

Education Code (EC) 41020(h) requires that the audit for the preceding fiscal year be filed with the county superintendent of schools, the California Department of Education, and the State Controller’s Office by December 15 annually. At the time of FCMAT’s fieldwork, the district had yet to complete the audit for the 2021-22 fiscal year. Interviewees indicated that the district had been granted multiple extensions through the summer of 2023.

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

The district’s 2020-21 audit report contained one material weakness regarding internal control over financial closing and reporting processes. This necessitated an audit adjustment for the financial statements to conform with generally accepted accounting principles (GAAP).
 Revenues of \$51,247 for the 2021 Seamless Summer food program were not recorded in the accounting records for fiscal year 2020-21.
 Because the 2021-22 audit report has not been completed, it is not known if the district has any audit findings for that fiscal year.

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

Because the 2021-22 audit report has not been completed, it is not known if the district has audit findings. In addition, no evidence was provided to FCMAT to show that the material weakness identified in item 1.3 above has been corrected.

2. Budget Development and Adoption		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.2	Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3	Does the district use position control data for budget development?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	Interviews indicated the district uses position control for most salary data in budget development; however, not all positions and costs (e.g., vacant positions, annual stipends and lump sum costs for substitutes) are accounted for in the position control system and may not be included in the budget.			
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	FCMAT’s review of the district’s second interim LCFF calculator data showed that the district’s estimated average daily attendance (ADA) was inflated. The user notes section of the calculator explained that the ADA was adjusted based on the COVID-19 relief worksheet; however, the district should have entered its estimated ADA for fiscal year 2022-23 to ensure the calculation was correct.			
2.5	Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.6	Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	Interviews indicated that the superintendent’s cabinet members, administrators, board members, and the community have input through the Local Control and Accountability Plan (LCAP) process, but those responsible for managing budgets in various operational areas are not included in the process and have little input on their department budgets.			
2.7	Does the district budget and expend restricted funds before unrestricted funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.9	Has the district refrained from including carryover funds in its adopted budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	In the district’s report titled, “Comparative Account Summary by Object” dated August 30, 2023, which includes prior years’ actuals, the district used negative budget accounts for some salaries, benefits, and services. The California School Accounting Manual (CSAM) procedure 560 provides accounting instructions for expenditure abatements and defines allowable and unallowable expenditure abatements. Because the abatement of salaries is generally not allowed, the negative budgeted amount appears to be intended as an overall budget adjustment rather than an allowable abatement.			

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 policy or procedure to evaluate the multiyear impact that proposed grants and other types of restricted funds may have 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?

In interviews, staff indicated that the district does not have a budget calendar. The best practice is to develop and adhere to a detailed budget calendar that includes due dates, major development tasks, deadlines, and staff members or departments responsible for completion.

3. Budget Monitoring and Updates **Yes** **No** **N/A**

3.1 Are actual revenues and expenses consistent with the most current budget?

3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? .

3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?

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

3.5 Do the district’s responses fully explain the variances identified in the criteria and standards?

The 2022-23 second interim criteria and standards, criterion 1, average daily attendance, compares the funded ADA for any of the current fiscal year or two subsequent fiscal years to determine whether it has not changed by more than two percent since the previous reporting period. If a district does not meet the standard (i.e., if its ADA has changed by more than two percent), as was the case for Calaveras Unified, the district is required to explain why the change(s) exceed the standard and describe the reason for the variance.

The district’s explanation for this was, “The change in ADA from the first interim is due to using the 2021-22 ADA relief calculations that were not applied in the 2021-22 fiscal year.” This response is confusing and does not explain why fiscal years 2023-24 and 2024-25, which had a status of “Not Met,” exceed the standard two percent range. Although the district references a separate calculation, it does not explain the impacts that the calculation had on the subsequent fiscal years.

In the same report, criteria and standards criterion 5, salaries and benefits, compares whether the projected ratio of total unrestricted salaries and benefits costs to the total unrestricted general fund 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 the current year or either of the two subsequent fiscal years. As stated earlier, 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 as the basis for the explanation. The district’s historical average ratio is 84.9%, so its projected

ratio should not vary by more than three percent; however, it is projected to have a ratio of 79.6% in 2022-23, which is a variance of more than the three percent allowable standard, and thus the criterion is shown as “Not Met.”

The district’s explanation for this was, “The salary and benefits cost changed in 2022-23 to reflect a cost-of-living increase for all staff. The increase was retroactive to July 1st, 2022.” This explanation would make sense had the district exceeded the average by more than three percent; however, the percentage shown was less than the average by more than five percent.

- 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? ✓
- 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? ✓

Interviews indicated that the district usually reconciles balance sheet accounts at year-end close; however, FCMAT’s review of the district’s financial statements found that there is a lack of monitoring and clearing of prior year balance sheet liabilities.

- 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? ✓

EC 42130 requires school districts to file two reports during a fiscal year on the on their financial condition. These reports are based on financial data as of October 31 and January 31 and are called, respectively, the first interim and second interim financial reports. Both reports must be approved by the district’s governing board no later than 45 days after the close of the period being reported. In addition, EC 42100(a) states that on or before September 15, the governing board of each school district shall approve an annual statement of all receipts and expenditures of the district for the preceding fiscal year, referred to as the district’s unaudited actuals.

According to the district’s board minutes, its 2021-22 unaudited actuals report was approved by the governing board on September 20, 2022, and the 2022-23 second interim report was not approved by the governing board until April 18, 2023, both of which were later than the statutorily required deadlines..

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? ✓

No evidence was provided to show that bank accounts are reconciled monthly.

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 2022-23 second interim report shows that the district forecast its cash flow projections only through June 30, 2023 and did not include the subsequent year.

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 sufficient cash to support its projected obligations or to develop a reasonable plan to address its cash flow needs.

4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? ✓

4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603? ✓

According to EC 42603, any district may temporarily transfer money from one fund to another by governing board direction. The code allows such interfund borrowing but specifies that the money shall be “repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.”

The Calaveras County Treasurer and the Calaveras County Office of Education allow the sharing of district funds without requiring district board action to transfer or borrow between funds. The district has been extended this privilege, and records indicate it has been allowed to incur negative fund balances for certain months. Because district funds are available in aggregate, the provision allowed in EC 42603 is not exercised to transfer monies between funds.

According to the CSAM:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

The CSAM further states that the:

. . . principal role of funds is to demonstrate fiscal accountability. The financial transactions of LEAs are separated into various funds in order to permit administrators to ensure, and report on, compliance with the laws and regulations that affect LEAs.

The consequence of and reason for concern regarding this arrangement of aggregating funds is the loss of fiscal control and accountability.

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

6. Collective Bargaining Agreements		Yes	No	N/A
6.1	Has the district settled with all its bargaining units for the past two fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Has the district settled with all its bargaining units for the current year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	<input type="checkbox"/>	✓	<input type="checkbox"/>

In the public disclosure of collective bargaining documents (often referred to as an AB 1200 disclosure) over the past two years, the narrative portion of the disclosure that explains the source of funding has often referenced additional budget reductions that would be needed to afford the agreement but lacks any detail or formal plan to do so.

For example, at its January 18, 2022 meeting, the district’s board voted to approve a 5% salary increase for certificated and classified management and confidential employees, retroactive to July 1, 2021. The multiyear projection provided with the disclosure shows that if it approved this agreement, the district would not be able to meet its minimum reserve requirement for 2022-23 and 2023-24. The narrative in the disclosure states:

We recognize this is affordable in 2021-22, however, the district will need to make on-going reductions. Budget reductions are likely needed due to increased compensation, loss of COVID-19 funding and declining ADA. Currently based on 2019-20 ADA guarantee protection.

6.5	In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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Statutory and Funded COLA, 2020-21 through 2022-23

Year	Statutory COLA	Funded COLA	Effective Increase Over Prior Year*
2020-21	2.31%	0.00%	0.00%
2021-22	1.70%	2.70%	5.07%
2022-23	6.56%	6.56%	6.56%

*The 2021-22 compounded COLA consists of a statutory COLA adjustment from fiscal years 2020-21 (2.31%) and 2021-22 (1.70%), and an additional 1% increase in the LCFF base grant, for an effective increase of 5.07%.

Source: CDE LCFF COLA: <https://www.cde.ca.gov/fg/aa/pa/lcffcola.asp>

The district has three represented collective bargaining units. The certificated unit is the Calaveras Unified Educators Association (CUEA). The classified unit is the California School Employees Association (CSEA) Chapter #405. The district also has a unit that represents substitute teachers, known as the Calaveras Area Substitute Teachers' Association (CASTA).

The district did not provide FCMAT with any AB 1200 disclosures or county office responses for settlements reached in 2020-21, or the 2021-22 disclosure for the CASTA bargaining unit. Therefore, FCMAT could not compare the total settlement costs to the funded COLA for 2020-21 for any bargaining unit, or for 2021-22 for the CASTA bargaining unit.

The 2021-22 disclosures provided show a 5.0% salary increase for CUEA, CSEA, and management and confidential employees. Each disclosure also included an increase in the district's contribution to the medical plan cost, from \$775 to \$825 per month.

The 2021-22 agreement for CUEA also included an increase in the district's contribution to dental and vision benefits, from \$69 to \$75 per month, and two additional paid training days. The disclosure shows the increase in total cost per average employee as 4.56%, which is less than the funded COLA.

The 2021-22 agreement for CSEA also included an increase in the district's contribution to dental and vision benefits, from \$69 to \$75 per month, and a revision to the CSEA athletic stipend schedule. The disclosure shows the increase in total cost per average employee as 14.36%, which is more than the funded COLA.

The 2022-23 disclosures show a 10% salary increase for CUEA, CSEA, and management and confidential employees for 2022-23, a 5.1% salary increase for 2023-24, and a 5.1% salary increase for 2024-25. Each disclosure also included fully paid dental and vision benefits for eligible employees.

In addition, the 2022-23 agreement with CUEA included an adjustment to the salary schedule for full-time teachers whose credential status is intern, emergency, and/or a waiver, to receive the BA/Step 1 salary on the CUEA salary schedule. The disclosure shows the increase in total cost per average employee as 11.51% for 2022-23, which is more than the funded COLA.

The 2022-23 agreement for CSEA also included a provision that states, "Unit members who were and still are employed in the same classification beginning July 1, 2019, will be given a one-time step adjustment equaling one step effective July 1, 2022." The disclosure shows the increase in total cost per average employee as 12.49% for 2022-23, which is more than the funded COLA.

The 2022-23 agreement for management and confidential employees also included language that stated, "CUSD restructured the Management salary schedule starting at what used to be Step III by what were the Step I and II columns." The disclosure shows the increase in total cost per average employee as 14.39% for 2022-23 which is more than the funded COLA.

The 2022-23 agreement for CASTA included an increase in the daily rate to \$180, an increase in the half-day rate to \$90, and language that states, "After working (15) consecutive days in the same assignment a substitute teacher will be paid \$20 more than [sic] their base rate as outlined in the agreement." The disclosure shows the increase in total cost per average employee as 16.47%, which is more than the funded COLA.

- 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?

At its January 17, 2023 board meeting, The superintendent and CBO did not sign the district's AB 1200 disclosure for management and confidential employees.
- 6.9 Is the governing board's action consistent with the superintendent's and CBO's certification?

Without a signature on the public disclosure listed in item 6.8 above, FCMAT cannot determine if the governing board's approval was 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?

The 2022-23 second interim report showed a projected contribution of \$10,965,785 from the unrestricted general fund to other restricted programs and funds.

The district did not provide FCMAT with a board-approved plan to eliminate, reduce or control any contributions or transfers from the unrestricted general fund to other restricted programs and funds.
- 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 second interim report projected deficit spending of \$1,846,022 in the budget year.
- 8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?

The district's 2022-23 second interim report projected deficit spending of \$1,456,942 in 2023-24 and \$6,308,831 in 2024-25.

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

Interviews indicated that the district lacks a board-approved plan to reduce or eliminate deficit spending, and no plan was provided to FCMAT.

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

The district’s 2020-21 unaudited actuals report shows no deficit spending, but its 2021-22 unaudited actuals report shows deficit spending of \$1,034,522.

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)?

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the district to update OPEB actuarial reports every two years. The district’s most recent report is dated June 23, 2021.

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? . . .

The district’s 2022-23 second interim report Form 01 shows the district’s pay-as-you-go OPEB annual liability as \$1,307,751, or 3.95% of the projected unrestricted general fund revenue of \$33,126,639.

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?

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?

Interviews indicated that the district has self-contained classrooms with exceptionally low class loads compared to the Office of Public School Construction (OPSC) loading standards, which are listed in the table below.

OPSC Loading Standards

Grade Level	Loading Standard
TK - 6	25
7 – 12	27
Special Education Nonsevere	13

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

Based on the number of classrooms available according to the district-provided inspection tool documents, it is evident that the district’s various schools have a wide range of facility use rates, from as low as 54.8% to as high as 125%. However, the district as a whole is not using its facilities fully in accordance with OPSC loading standards.

The presence of excess capacity, as indicated by the substantial variability in use rates, can lead to unnecessary operating expenses. It is essential for the district to address the issue by conducting a thorough analysis of how each school uses its facilities and then taking steps to align facility use with educational needs and community demands. This process will enable the district to optimize resource allocation, reduce operating costs, and better serve its students and the community.

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

The district does not have an overall planning tool, such as a facilities master plan or a documented maintenance schedule, to project facilities needs in advance and include those expenses in the budget. In addition, the condition of

facilities as evaluated by an independent agency and reported on the Williams Act Facilities Inspections Tool (FIT) found all schools reviewed in fair condition; most issues found involved a need for interior and exterior upgrades, electrical, safety and restroom concerns.

- 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 does not have an up-to-date long-range facilities master 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?

As shown in the 2022-23 second interim criteria and standards, criterion 10, reserves, the district is unable to meet its 3% minimum reserve requirement in the subsequent years. The minimum reserve was projected to be 0.05% for 2023-24 and -13.08% for 2024-25.

- 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?

The district lacks 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 2022-23 second interim report projected an unrestricted ending fund balance of \$1,500,214 in 2022-23, \$43,273 in 2023-24, and -\$6,265,559 in 2024-25.

- 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? . .

No documents were provided to show that the district adequately monitors one-time revenues to ensure those revenues do not pay for ongoing expenditures.

In addition, the district’s budget narratives listed positions paid for with one-time revenues, but no layoffs or reductions in staffing took place when these funding sources expired or were fully expended.

Staff should not be paid using one-time resources without a specific plan for how those positions will be funded or reduced when the one-time funds are expended.

13.2 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year? . ✓

13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years? ✓

13.4 If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)? ✓

13.5 Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? . . ✓

As mentioned in item 13.1, no documents were provided to show that the district is adequately monitoring staff paid using one-time restricted dollars. For example, the district is deficit spending in the Child Development Program (Fund 12), and has done so for a number of years, without a plan to reduce staffing to ensure that this program is self-sufficient.

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 allocations to the California Department of Education because it did not spend the funds within the required timelines.

13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? ✓

Both the district’s 2021-22 unaudited actuals and its report titled, “Comparative Account Summary by Object,” dated August 30, 2023, show that the district does not budget and charge the full allowable indirect cost rate to all its restricted resources and other funds.

14. Information Systems and Data Management **Yes** **No** **N/A**

14.1 Does the district use an integrated financial and human resources system? ✓

14.2 Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions? ✓

14.3 Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? . . ✓

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

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

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

15. Internal Controls and Fraud Prevention		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2	Are the district’s financial system’s access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP)	<input type="checkbox"/>	✓	<input type="checkbox"/>
	One staff member is responsible for adding and modifying vendor information in the financial system, processing invoices for payments, receiving the accounts payable warrants from the county office, and mailing the warrants. The best practice is for no one individual to touch a transaction from initiation to completion. The district should look for ways to segregate these duties.			
	• Accounts receivable (AR)	<input type="checkbox"/>	✓	<input type="checkbox"/>
	One staff member generates invoices, receives the payments, and prepares deposits. To provide for segregation of duties, the individual responsible for generating invoices should not have access to payments received for those invoices.			
	• Purchasing and contracts.	<input type="checkbox"/>	✓	<input type="checkbox"/>
	As stated above, one staff member is responsible for processing purchase orders and handles the receiving of the purchased items. To ensure proper segregation of duties, a different employee should handle the receiving of all purchased items..			
	• Payroll	<input type="checkbox"/>	✓	<input type="checkbox"/>
	The payroll process does not follow proper segregation of duties because those who process payroll touch a transaction from initiation to completion. Instead of each person receiving the checks for the data they have entered, the district should require that each receive another person’s checks to ensure a system of checks and balances.			
	• Human resources (i.e., duties relative to position control and payroll processes).	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.5	Does the district review and work to clear prior year accruals throughout the year?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	Based on interviews and FCMAT’s review of the district’s report titled, “Financial Statement by Resource,” dated August 14, 2023, the district does not review and clear prior year accruals in a timely manner.			
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.7	Does the district have processes and procedures to discourage and detect fraud?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	Interviews indicated that the district has not outlined a process for employees regarding how to handle possible fraud. Board Policy 3400 states, “...the superintendent or designee shall establish a method for employees and outside persons to anonymously report any suspected instances of fraud,			

impropriety, or irregularity.” The superintendent should establish a written procedure and communicate it regularly to district staff so they know how to report any suspicion of 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 there was no process for collecting or following up on reports of possible fraud.

15.9 Does the district have an internal audit process?

The district lacks a formal 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?

At the time of FCMAT’s fieldwork, the district did not have a chief business official and was relying on an outside consultant to fill this role.

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 in 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?

The district lacks a specific process for communicating to staff about newly adopted or revised policies and/or administrative regulations.

16.7 Do all board members attend training on the budget and governance at least every two years?

Interviews indicated that when a new member joins the board of trustees, governance training is provided to the entire board; however, the board members have not received training on the budget within the last two years.

16.8 Is the superintendent’s evaluation performed according to the terms of the contract? . . .

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

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

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

For its 2022-23 second interim report, the district completed an LCFF calculation; however, because estimated ADA was inflated, the estimates for LCFF revenue in the current and projection years were likely overstated.

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?

The district’s 2022-23 second interim report included adjustments on Form MYPI lines B1d and B2d for 2023-24 and 2024-25. The explanation provided on Form MYPI did not include sufficient detail to determine if the adjustments were reasonable.

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

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

The district issued \$6,060,000 in non-voter-approved debt in the form of COPs in 2013. This means that the district borrowed this sum of money by issuing COPs and is obligated to pay it back, including any interest.

The district uses funds received from developer fees as the primary source of repayment for the COPs, with the balance paid out of the general fund. The district collected \$478,114 in developer fees in 2021-22 and budgeted to collect \$388,200 in the 2022-23 fiscal year. However, according to the district’s report titled, “Comparative Account Summary by Object,” dated August 30, 2023, to date the district has received only \$274,985 for fiscal year 2022-23. Because developer fees are generated when new construction permits are issued, there is little assurance that these funds will continue with any consistency, so the district cannot depend on this as a sole repayment source without a contingency plan. Without an alternative plan, the district would be required to make the debt service payment out of its general fund. For example, in fiscal year 2020-21, the developer fee fund paid \$249,765, and the remaining amount of \$240,278 was paid from the 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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	The district does not include stipends, extra duty, or lump sum costs related to substitutes in position control. This increases the risk that these costs will not be included in the budget until after the funds have been expended.			
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment?. . .	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	Interviews indicated that the district does not reconcile budget, payroll and position control.			
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	Interviews indicated that some meetings of employees responsible for human resources and budget functions are starting to occur, but staff responsible for payroll are not consistently included.			

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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	According to the 2021-22 unaudited actuals report, the district did not charge indirect costs to special education. Although the district must make a contribution from its general fund to pay for special education services, it should charge allowable indirect costs to correctly account for all costs related to special education.			
20.5	Is the district’s contribution rate to special education at or below the statewide average contribution rate?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	According to the 2021-22 unaudited actuals report, the district’s unrestricted general fund contribution to special education was \$5,942,063, or 86.3% of total special education costs. This was significantly higher than the 2021-22 statewide average of 64.3% as calculated by School Services of California.			

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 18.52%, which was higher than the countywide rate of 17.57% 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, and the special education maintenance of effort Form SEMAI was not included with either of the district's 2022-23 interim reports.

Risk Score, 20 numbered sections only: **45.3%**

Key to Risk Score from 20 numbered sections only:

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

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

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

Appendix A

Comparison of 2018 Results to 2023 FHRA Results by Section

Between the 2018 and 2023 FHRAs conducted in the district, FCMAT revised the FHRA tool. Most of the revisions were slight changes in wording, but some questions were deleted and others added, which means a comparison by question is not possible. In addition, the weighting of questions was changed slightly. Each report gives details about the challenges the district faces in maintaining fiscal solvency. The comparison below shows the responses for both reviews as well as the overall risk scores. See Appendix B for the 2018 report.

1. Annual Independent Audit Report			
Response	2018*	2023	Change in Number of "No" Responses
Yes	4	0	Increased by 4
No	0	4	
N/A	0	0	

*2018 FHRA had one additional question that is not included in the count above.

2. Budget Development and Adoption			
Response	2018	2023	Change in Number of "No" Responses
Yes	10	6	Increased by 4
No	2	6	
N/A	0	0	

3. Budget Monitoring and Updates			
Response	2018	2023*	Change in Number of "No" Responses
Yes	8	7	Increased by 1
No	1	2	
N/A	0	0	

*2023 FHRA had one additional question that is not included in the count above.

4. Cash Management			
Response	2018	2023	Change in Number of "No" Responses
Yes	3	2	Increased by 1
No	3	4	
N/A	1	1	

5. Charter Schools			
Response	2018	2023	Change in Number of "No" Responses
Yes	0	0	No Change
No	0	0	
N/A	4	4	

6. Collective Bargaining Agreements			
Response	2018	2023	Change in Number of "No" Responses
Yes	6	4	Increased by 1
No	3	4	
N/A	0	1	

7. Contributions and Transfers			
Response	2018	2023	Change in Number of "No" Responses
Yes	1	2	Decreased by 1
No	2	1	
N/A	0	0	

8. Deficit Spending			
Response	2018*	2023	Change in Number of "No" Responses
Yes	0	0	No change
No	4	4	
N/A	0	0	

*2018 FHRA had one additional question that is not included in the count above.

9. Employee Benefits			
Response	2018	2023	Change in Number of "No" Responses
Yes	5	3	Increased by 2
No	0	2	
N/A	0	0	

10. Enrollment and Attendance			
Response	2018	2023	Change in Number of "No" Responses
Yes	5	9	Decreased by 5
No	5	0	
N/A	0	1	

11. Facilities			
Response	2018	2023	Change in Number of "No" Responses
Yes	5	4	Increased by 1
No	2	3	
N/A	1	1	

12. Fund Balance and Reserve for Economic Uncertainty			
Response	2018	2023	Change in Number of "No" Responses
Yes	2	1	Increased by 1
No	2	3	
N/A	1	1	

13. General Fund – Current Year			
Response	2018	2023	Change in Number of "No" Responses
Yes	1	2	Decreased by 1
No	5	4	
N/A	1	1	

14. Information Systems and Data Management			
Response	2018	2023	Change in Number of "No" Responses
Yes	4	4	No Change
No	0	0	
N/A	2	2	

15. Internal Controls and Fraud Prevention			
Response	2018*	2023	Change in Number of “No” Responses
Yes	7	5	Increased by 2
No	6	8	
N/A	0	0	

*2018 FHRA had four additional responses that are not included in the count above.

16. Leadership and Stability			
Response	2018	2023	Change in Number of “No” Responses
Yes	7	4	Increased by 3
No	1	4	
N/A	0	0	

17. Multiyear Projections			
Response	2018	2023*	Change in Number of “No” Responses
Yes	3	2	Increased by 1
No	0	1	
N/A	0	0	

*2023 FHRA had one additional question that is not included in the count above.

18. Non-Voter-Approved Debt and Risk Management			
Response	2018	2023	Change in Number of “No” Responses
Yes	2	2	No Change
No	1	1	
N/A	1	1	

19. Position Control			
Response	2018*	2023	Change in Number of “No” Responses
Yes	5	3	Increased by 2
No	1	3	
N/A	0	0	

*2018 FHRA had one additional question that is not included in the count above.

20. Special Education			
Response	2018*	2023	Change in Number of “No” Responses
Yes	3	3	No Change
No	4	4	
N/A	0	0	

*2018 FHRA had two additional questions that are not included in the count above.

2018 Fiscal Solvency Risk Score: 31.7% — Moderate

2023 Fiscal Solvency Risk Score: 45.3% — High

Appendix B

2018 FHRA for Calaveras Unified School District

Appendix C

Study Agreement



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT July 11, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Calaveras Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. **BASIS OF AGREEMENT**

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

The county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

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

3. PROJECT PERSONNEL

The FCMAT study team may include:

- A. To be determined* *FCMAT Staff*
- B. To be determined* *FCMAT Staff*

4. PROJECT COSTS

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

- A. All staff member and consultant daily rates and expenses will be covered by a specific state apportionment for this purpose.
- B. Based on the elements noted in section 2A, the total cost of the services is \$0.**

5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following items:
 - 1. Current or proposed detailed organizational charts.
 - 2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 - 3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT’s online SharePoint document repository, where the district will upload all requested documents.
- C. The district’s administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

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

6. PROJECT SCHEDULE

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

7. COMMENCEMENT AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study

team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

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

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. Upon the request of the district and the receipt of the signed study agreement, FCMAT shall provide certificates of insurance, with Calaveras Unified School District named as additional insured, indicating applicable insurance coverages.

10. HOLD HARMLESS

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

11. COVID-19 PANDEMIC

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

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

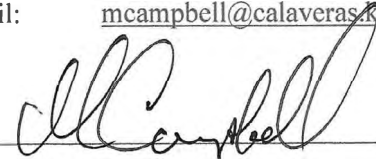
- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

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


13. CONTACT PERSON

Name: Mark Campbell
Telephone: (209) 754-2300
E-Mail: mcampbell@calaveras.k12.ca.us



Mark Campbell, Superintendent
Calaveras Unified School District

7/11/2023
Date



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

07/14/2023
Date