

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

April 4, 2025



Cascade Union Elementary School District

Michael H. Fine
Chief Executive Officer

April 4, 2025

Jason Provence, Superintendent
Cascade Union Elementary School District
1645 West Mill Street
Anderson, CA 96007

Dear Superintendent Provence:

In February 2025, the Cascade Union Elementary 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:

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

This fiscal health risk analysis is required by California's 2018-19 Budget Act, because the district's 2024-25 first interim financial report was the third consecutive interim report that the district self-certified as qualified.

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

FCMAT appreciates the opportunity to assist the Cascade Union Elementary 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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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

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

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policy-makers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Background

Located in Anderson, California, the Cascade Union Elementary School District serves approximately 1,400 students in prekindergarten through eighth grade. The district is governed by a five-member board of trustees and operates three elementary schools, one middle school, one community day school, and one charter school.

As of the 2024-25 first principal apportionment (the most recent data available), 74.43% of the district's students were identified as English learners, foster youth, or eligible for free or reduced-price meals.

The district's 2024-25 first interim financial Report projects deficit spending of \$813,200 in 2024-25, \$1,366,841 in 2025-26, and \$1,680,347 in 2026-27. Although the district projected it would meet the required 3% reserve for economic uncertainties, its ending fund balance is estimated to decline from \$3,619,480 in 2024-25 to \$1,113,778 in 2026-27. The district self-certified its 2024-25 first interim financial report as qualified, which means it may be unable to meet its financial obligations for either the current fiscal year or the two subsequent fiscal years. This marks the third consecutive qualified certification. This followed qualified certifications for the 2023-24 first and second interim reports.

Historically, the district employed a full-time chief business official (CBO); however, since July 2018, it has contracted with the Shasta County Office of Education for part-time CBO services. In addition, the district shares a superintendent with another local school district.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk of insolvency, using the financial data from the district's 2024-25 first interim report as the basis for the analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Cascade Union Elementary District on February 8, 2025, and a study team visited the district on March 12 and 13, 2025 to conduct interviews, collect data and review documents. After the fieldwork, the study team continued to analyze the gathered documents and data. This report includes the team's findings and conclusions from 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 and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

Study Team

The team was composed of the following members:

Roslynn Manansala-Smith, CFE
FCMAT Intervention Specialist

Marcus Wirowek, CFE
FCMAT Intervention Specialist

John Lotze
FCMAT Technical Writer

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

Fiscal Health Risk Analysis For TK-12 School Districts



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Date(s) of fieldwork: March 12-13, 2025

School District: Cascade Union Elementary School District

Summary

The Cascade Union Elementary School District's enrollment has declined by 187 students over the past decade. The overall decline has not been steady; the district has had varying changes in enrollment from year to year, from decreases of up to 99 students to increases of up to 68 students. For example, after experiencing slight growth of 15 students in 2023-24, its enrollment dropped by 79 students in 2024-25, which was a 7% decrease compared to 2023-24.

Budget

The district has a recent history of using one-time federal and state COVID-19 funds to support ongoing expenditures, primarily personnel costs, without a defined plan to reduce spending once the funds expire. In 2023-24, the district began shifting ongoing personnel expenses from restricted funds to the unrestricted general fund. This practice has led to structural deficits in its multiyear projections in its 2023-24 and 2024-25 budgets. The absence of a spending reduction plan has increased its risk of depleting the district's unrestricted general fund reserves. As a result, the district's 2023-24 first and second interim financial reports were self-certified as qualified, as was its 2024-25 first interim report.

In its September 15, 2024, oversight letter, the Shasta County superintendent of schools directed the district to identify budget reductions in its 2024-25 first interim report. The district complied by outlining approximately \$1.1 million in planned reductions for 2025-26. These planned reductions helped the district meet its reserve requirement, but the plan was not fully implemented, and the district's first interim budget continued to show deficits and a qualified certification.

At the time of fieldwork, the district's governing board had approved resolutions to reduce staffing levels at its March 12, 2025 meeting.

Fiscal Health Risk Analysis

The results of this FHRA indicate that the district is at high risk of insolvency, with an overall risk score of 30.2%. Although the score itself reflects a moderate level of risk, the district has conditions from the Budget and Fiscal Status section (shown below), and/or a material weakness, which supersede the score because they elevate the district's risk.

The district's main risk factors are as follows:

Enrollment and Attendance

The district's enrollment has varied recently but has declined overall in the past decade. The district did not project the loss of 79 students in the current year, and this has contributed to estimated deficit spending in the current year and multiyear projection.

Budget development and monitoring

The district's multiyear projections show general fund deficit spending, including a declining ending fund balance and an anticipated inability to meet the minimum required reserve for economic uncertainties without expenditure reductions.

The district can strengthen its budget development and monitoring processes by ensuring that all staffing costs in position control — including vacant positions, substitutes, overtime, stipends, and employer-paid benefits — are reflected in its budget. The district should monitor and adjust this data throughout the year, meaning at least at budget reporting periods and more often if possible.

Internal Controls and Fraud Prevention

The district has weaknesses in internal controls related to accounts payable, accounts receivable, and purchasing and contracts. Some of these issues exist because the district is small, which can make it challenging to maintain adequate segregation of duties and oversight.

Although limited staffing may contribute to these challenges, the district should ensure it has sufficient documented processes and procedures, as well as appropriate segregation of functions, to safeguard its assets.

Like many districts across the state, Cascade Union Elementary continues to face significant challenges in the aftermath of the COVID-19 pandemic. Beyond financial strain, the district is grappling with increased student needs, including behavioral issues, mental health concerns, and academic recovery. As one-time funding expires, it is becoming increasingly difficult to sustain the critical support services that students rely on. The district must strengthen its budgeting processes and enrollment projections to develop sustainable financial solutions. By doing so, it can continue providing essential services to students while maintaining fiscal stability.

District Fiscal Solvency Risk Level: High

About the Analysis

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

The FHRA consists of 20 sections, each including specific questions related to essential functions and processes. These sections and questions are based on FCMAT’s extensive work since the inception of Assembly Bill 1200 in 1991 and represent common indicators of fiscal risk or potential insolvency observed in school districts that have neared insolvency and required external assistance. Each analysis section affects fiscal stability, and neglecting any of these areas will ultimately lead to the district’s fiscal failure. The analysis aims to determine the district’s level of risk at the time of evaluation.

A higher number of “No” responses in the analysis indicates an increased risk of insolvency or other fiscal issues for the district. Not all sections or questions carry equal weight; some areas pose a higher risk and thus have a greater impact on the district’s fiscal stability. To help the district, narratives are provided for each “No” response, explaining the reasoning behind the response and outlining the actions needed to achieve a “Yes” in the future.

Identifying issues early is the key to maintaining fiscal health. Diligent planning allows school districts to better understand their financial objectives and implement strategies that sustain fiscal efficiency and long-term solvency. School districts should consider completing the FHRA annually to assess their fiscal health and track their progress.

Areas of High Risk

The following sections on this page and the next two pages repeat certain questions and answers found in the “Fiscal Health Risk Analysis Questions” section later in this report. These sections identify conditions that create a significant risk of fiscal insolvency. A “No” response to any of these questions will supersede all other scoring and elevate the district’s overall risk level.

Budget and Fiscal Status: Is district currently *without* 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"/>

Material Weakness Questions

	Yes	No	N/A
2.5 Has the district’s budget been approved unconditionally by September 15 th by the county superintendent of schools in the current and two prior fiscal years	✓	<input type="checkbox"/>	<input type="checkbox"/>

3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.2	Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.5	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?	<input type="checkbox"/>	✓	<input type="checkbox"/>
11.2	Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.1	Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u> ?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	✓
19.1	Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?	<input type="checkbox"/>	✓	<input type="checkbox"/>

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.2%
2.	Budget Development and Adoption	3.8%
3.	Budget Monitoring and Updates	3.0%
4.	Cash Management	1.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	1.2%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	1.2%
10.	Enrollment and Attendance	4.6%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	1.2%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	3.2%
16.	Leadership and Stability	1.6%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.0%
20.	Special Education	1.0%
Score		30.2%

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

	Yes	No	N/A
1.1 Has the district recorded findings from the most recent and prior two years’ audits without negatively affecting its fiscal health?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
During fiscal year 2022-23, the district received an audit finding for overstating the number of its students who qualify for free or reduced-price meals. This overstatement resulted in a funding reduction of approximately \$97,520.			
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Were the district’s most recent and prior two audit reports free of findings of material weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Has the district corrected all audit findings from the most recent and prior two audits? . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 superintendent of schools’ instructions, and have been clearly articulated?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The district provides written budget assumptions at each reporting period. It typically relies on the School Services of California Dartboard to develop these assumptions and does not always reference the county superintendents of schools’ “Common Message” document, which may include county-specific instructions.</p> <p>Interviews indicated that at interim reporting periods the Business Department assumes all vacant positions in the current year and in multiyear projections will remain unfilled. As a result, these positions are excluded from the budget, even when the district is actively recruiting to fill them. This could lead to unplanned costs if the district fills these positions, further reducing its reserves and ending fund balance. The best practice is to include positions being actively recruited for in the budget, then make adjustments throughout the year if they remain unfilled.</p> <p>In its 2024-25 first interim budget assumptions, the district reported that, as one-time state and federal COVID-19 funding expired or was fully spent, it shifted personnel expenses from restricted funds to the unrestricted general fund. Without a clear plan to either sustain or phase out these programs, the district faces increased financial pressure on its unrestricted general fund, mainly because of ongoing personnel costs. The best practice is to ensure that one-time revenues do not pay for ongoing expenditures.</p>			
2.2 Does the district use a budget development method other than a prior-year rollover budget and if so, does that method include tasks such as reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

According to interviews, the district does a rollover of the prior year budget to begin the new budget year, but updates position control with new year estimates, reviews estimated actuals by major object code, and removes one-time revenues and expenses from the prior year.

The district’s budgeting practice has been to assume no changes to future enrollment unless evidence suggests otherwise. For 2022-23 and 2023-24, the district assumed stable enrollment in its multiyear projections for 2024-25 and 2025-26. However, as shown in Table 2, the district experienced an unanticipated loss of 79 students for 2024-25.

In June 2024, the district followed its standard budgeting approach, so its 2024-25 adopted budget assumed no changes in enrollment, attendance, or staffing levels. The district estimated a total enrollment of 1,089 and a total average attendance of 1,009.14 for 2024-25 and the two subsequent years (2025-26 and 2026-27). The adopted budget projected a deficit in all three years and a negative unrestricted ending fund balance for 2026-27.

- 2.3 **Does the district use position control data for budget development?** ✓
 Interviews revealed that the district uses position control data for filled positions during budget development. Because vacant positions, substitute, overtime, stipends, and employer-paid benefit costs are not included in position control, the district has to make manual entries for these items during budget development.
- 2.4 **Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly?** . . ✓
- 2.5 **Has the district’s budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years?** ✓
- 2.6 **Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?** . . ✓
- 2.7 **Does the district budget and expend restricted funds before unrestricted funds?** ✓
- 2.8 **Have the district’s Local Control and Accountability Plan (LCAP) and budget been adopted within the statutory timelines established by EC 42103 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 prior fiscal year?** ✓
- 2.9 **Has the district refrained from including carryover funds in its adopted budget?** ✓
- 2.10 **Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?** ✓
- 2.11 **Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district’s unrestricted general fund?** ✓
 The district did not provide any evidence of a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds. Staff indicated that the district has no documented procedure.
- 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 and departments responsible for completing them?** ✓

Although the district has provided evidence of scheduled LCAP input and discussion meetings throughout the year, no documented budget calendar was presented. Staff indicated that budget discussions take place during cabinet meetings while the budget is being developed, and the CBO engages with staff as needed.

3. Budget Monitoring and Updates

	Yes	No	N/A
<p>3.1 Are actual revenues and expenses consistent with the most current budget? <input type="checkbox"/></p> <p>A review of the district's 2024-25 first interim Standardized Account Code Structure (SACS) fund forms indicated that the actual revenues and expenses appear to be consistent with the current budget. However, a review of the district's financial system report sorted by fund and resource found that actuals exceeded the most current budget in both unrestricted and restricted resources.</p> <p>In 2023-24, the district projected deficit spending in all budget reporting periods. However, revenues ultimately exceeded expenditures at the close of the fiscal year. Without regular monitoring and updates to its budget throughout the year, the district risks significant discrepancies between projected and actual expenditures, which can impact financial planning and decision making. Inaccurate multiyear projections may also make it difficult to assess the district's long-term fiscal health and allocate resources effectively.</p>	✓		<input type="checkbox"/>
<p>3.2 Are budget revisions posted in the financial system at each interim reporting period, at a minimum? <input checked="" type="checkbox"/></p>		<input type="checkbox"/>	<input type="checkbox"/>
<p>3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum? <input checked="" type="checkbox"/></p>		<input type="checkbox"/>	<input type="checkbox"/>
<p>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 EC 42142? <input checked="" type="checkbox"/></p>		<input type="checkbox"/>	<input type="checkbox"/>
<p>3.5 Do the district's responses fully explain the variances identified in the SACS Criteria and Standards Review form? <input checked="" type="checkbox"/></p>		<input type="checkbox"/>	<input type="checkbox"/>
<p>3.6 Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years? <input checked="" type="checkbox"/></p>		<input type="checkbox"/>	<input type="checkbox"/>
<p>3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? <input type="checkbox"/></p> <p>The district has multiple approval levels for requisitions and purchase orders. However, the financial software, Escape, permits the CBO to approve them even when the budget is insufficient to cover the expenditure. Staff indicated that in such cases the CBO approves requisitions or purchase orders in Escape and ensures the budget is updated by the next financial reporting period.</p>		✓	<input type="checkbox"/>
<p>3.8 Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed? <input type="checkbox"/></p> <p>Staff indicate that the district uses position control to encumber salaries and benefits for all filled positions; however, it does not budget or encumber salaries and benefits for vacant positions, substitutes, overtime, stipends, or employer-paid benefit costs.</p>		✓	<input type="checkbox"/>

- 3.9 For the most recent and two prior fiscal years, have the district’s interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code? ✓

4. Cash Management

- | | Yes | No | N/A |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 4.1 Are accounts held by the county treasurer reconciled with the district’s and county office of education’s (COE) reports monthly? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.2 Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| <p>Although the district forecasts and updates its general fund cash flow for the current year, it does not consistently extend forecasts to the following year. Because it does not project cash flow 18 to 24 months in advance, the district risks overlooking potential cash shortages, limiting its ability to make informed budget decisions and reducing its capacity to ensure it has enough funds to cover expenses.</p> | | | |
| 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 meet its cash flow needs for the current and subsequent year? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.6 If the district uses interfund borrowing, is it complying with EC 42603? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.7 If the district is managing cash in any fund(s) through external borrowing, does the district’s cash flow projection include repayment based on the terms of the loan agreement? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |

5. Charter Schools

- | | Yes | No | N/A |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--------------------------|--------------------------|
| 5.1 Does the district have a board policy, memorandum of understanding (MOU), 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 EC 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"/> |
| 5.5 Does the district monitor charter school audits for timeliness, completeness, and exceptions? | ✓ | <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"/> |
| At the time of fieldwork, the district was still in negotiations with its certificated employee bargaining unit. | | | |
| 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.4 Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.5 In the current and prior two fiscal years, has the total cost of the district’s bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |

In addition to step-and-column increases, the district has agreed to settlements with most of its collective bargaining units that exceed the funded COLA, as shown in Table 1 below.

Table 1: District Salary Increases

2024-25	Avg. Step and/or Column	Salary Increase*	Total Increases	COLA
Anderson Cascade Teachers Association	1.50%	Not Settled	1.50%	1.07%
Teamsters	2.50%	2.00%	4.50%	1.07%
California School Employees Association	2.50%	2.00%	4.50%	1.07%

*Includes only the ongoing salary increase applied to entire schedule; does not account for all settled items for each unit.

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------|--------------------------|
| 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 Codes 3540.2 and 3547.5, and EC 42142?. | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval?. | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.9 Is the governing board’s action consistent with the superintendent’s and CBO’s certification? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

7. Contributions and Transfers

	Yes	No	N/A
7.1 Does the district have an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district does not have an active, board-approved plan to reduce its expenditures.			
7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.3 If any contributions or 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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Deficit Spending (Unrestricted General Fund)

	Yes	No	N/A
8.1 Is the district avoiding deficit spending in the current fiscal year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Based on the district's 2024-25 first interim financial report, the district is projecting to deficit spend by approximately \$1.7 million in the current fiscal year.			
8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Based on the district's 2024-25 first interim financial report, the district is projecting to deficit spend by \$644,719 in 2025-2026 and \$711,683 in 2026-2027.			
8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.4 Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Employee Benefits

	Yes	No	N/A
9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.2 Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district's unrestricted general fund revenues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 9.3 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?**

According to interviews, the district was unsure when the last determination of eligibility for benefits was conducted.
- 9.4 Does the district track, reconcile and report employees' compensated leave balances?**
- 9.5 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?**

Although one of the classified collective bargaining agreements includes language about how to handle vacation accruals, no evidence was provided that this policy is enforced or followed. In interviews, staff were not aware of policies pertaining to vacation balances.

10. Enrollment and Attendance

- | | Yes | No | N/A |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|
| <p>10.1 Has the district's enrollment been increasing or remained stable for the current and two prior years? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>According to DataQuest, the district's enrollment increased from 1,079 in 2022-23 to 1,094 in 2023-24. However, in 2024-25, enrollment dropped to 1,015, a decrease of 79 students, as reported in the <u>CDE School District Unduplicated Pupil Percentage exhibit</u> for the district.</p> | | | |

Table 2: Varied Enrollment but Overall Decline for 11 years

School Year	Cascade Union Elementary School District Enrollment*	Change from prior year
14-15	1,202	
15-16	1,103	-99
16-17	1,080	-23
17-18	1,032	-48
18-19	1,060	+28
19-20	1,128	+68
20-21	1,054	-74
21-22	1,085	+31
22-23	1,079	-6
23-24	1,094	+15
24-25	1,015	-79

*Table does not include charter school enrollment

Since 2014-15, the district's enrollment has declined by an average of 1.56% per year, from 1,202 in 2014-15 to 1,015 in 2024-25, for a total decrease of 187 students, or 15.56%.

Because funding sources such as the Local Control Funding Formula (LCFF) are based on enrollment and attendance, declining enrollment leads to reduced revenue. Furthermore, revenue decreases more rapidly than expenditures, making long-term structural solutions necessary to prevent deficit spending.

- 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)? ✓
- 10.3 Does the district track historical enrollment and ADA data to project future trends? . . . ✓
- 10.4 Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels? ✓

Information from interviews indicates that both the district and schools review and reconcile enrollment weekly. District staff collaborate closely with school staff, who regularly update and monitor a shared enrollment tracking spreadsheet.

Staff also noted that although schools conduct review attendance reports monthly, the district reconciles these reports only at each attendance reporting period (i.e., P-1, P-2, and Annual).

- 10.5 Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors? ✓

The district tracks historical data but did not provide any documented enrollment projections. Staff indicated that the district's current budgeting practice is to assume no changes to enrollment unless there is evidence to suggest otherwise.

According to Table 2 above, the district has experienced a net enrollment loss of 113 students over the past five years, consisting of a total loss of 159 students over three years, partially offset by an increase of 46 students over two years. Given the district's recent decline in enrollment, failing to project future changes could lead to inaccurate budget assumptions, misaligned staffing levels, and further financial instability. Without proactive enrollment projections, the district risks overcommitting resources if enrollment declines further, or underpreparing if enrollment increases. This could result in unexpected budget shortfalls, staffing imbalances, and difficulty maintaining essential programs and services. The district needs to monitor enrollment and attendance closely and consider revising its budgeting practice to account for potential changes.

To better prepare for future enrollment changes, the district should conduct multiple projections that model potential declines, increases, or flat trends. These projections would allow the district to make proactive staffing and expenditure adjustments, preventing further financial instability.

- 10.6 Has the district planned for enrollment losses to any charter schools? ✓

The charter school's enrollment has increased since its inception in 2017. Typically, the district carries forward the same enrollment numbers from the prior year to the current year. Staff indicated that the district has not planned for potential enrollment losses to charter schools.

- 10.7 Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines? ✓

Staff indicated that CALPADS data is reviewed only with district department directors, — such as those in instruction and curriculum, child nutrition, and special education — without involving school administrators or staff. Although staff indicated that they work throughout the year to correct errors as needed, the district received an audit

finding in 2022-23 related to an overstatement of the number of students receiving free or reduced-price meals, which led to an LCFF funding reduction of approximately \$97,520. To prevent future discrepancies, the district needs to ensure data is reviewed and verified by district departments and school staff before submission deadlines.

- 10.8 Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines? ✓
- 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 adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code? ✓

11. Facilities

- | | Yes | No | N/A |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|--------------------------|
| 11.1 If the district participates in the state’s School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.2 Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.3 Does the district properly track and account for facility-related projects? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.4 Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction’s loading standards? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| FCMAT was unable to determine whether the district is fully using its facilities per the Office of Public School Construction's loading standards. The district provided current enrollment figures for each school, but it did not supply data on the total number of available classrooms at each school. | | | |
| 11.5 Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? ✓ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.8 Does the district have a board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

According to interviews, the district has not completed a board-approved long-range facilities master plan within the last five years; however, staff said it is expected to present a new facilities master plan for board approval in the near future, though no specific timeline has been set.

12. Fund Balance and Reserve for Economic Uncertainties

	Yes	No	N/A
12.1 Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u>?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2 Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3 If the district is not able to maintain the minimum reserve for economic uncertainties, does the district’s multiyear projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	✓
12.4 Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district's unrestricted fund balance is projected to decrease in the two subsequent fiscal years. The unrestricted balance decreases from \$4.5 million in 2024-25 to \$3.9 million in 2025-26 and to \$2.9 million in 2026-27. These unrestricted balances are contingent on the district’s board approving and implementing \$1.1 million in personnel reductions for 2025-26.</p> <p>In its September 15, 2024, oversight letter, the Shasta County Superintendent of Schools described the district’s fiscal outlook as “very uncertain” and asked the district to “identify, detail and include reductions in the district’s first interim report due December 15.”</p> <p>The district met the county superintendent’s deadline and expectations by identifying and detailing in its first interim report \$1.14 million in planned budget reductions for 2025-26, which included the following:</p> <ul style="list-style-type: none"> • A reduction of 5.0 full-time equivalent (FTE) certificated personnel. • A reduction of 5.1 FTE classified personnel. • A reduction of 3.0 FTE administrative/confidential personnel. <p>These planned reductions were included in the first interim budget, allowing the district to meet its state-required minimum reserve for economic uncertainties in all three years and to project a positive ending fund balance for 2026-27. Despite these planned reductions, the district continued to project deficits in all three years and maintained a qualified self-certification, because the planned reductions had not yet been fully implemented.</p> <p>At the time of fieldwork, the district’s governing board had approved at its March 12 meeting Board resolutions #2024-13 and #2024-14 to reduce certificated and classified staffing levels.</p>			
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 to cover these costs?	✓	<input type="checkbox"/>	<input type="checkbox"/>

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? . . . <input type="checkbox"/> The district used one-time federal and state COVID-19 funds for ongoing expenditures, primarily personnel costs, without a defined plan to reduce spending after the funds expire. This recent practice has contributed to structural deficits in the district’s multiyear projections and increased the risk of depleting its unrestricted general fund reserves if expenditure reductions are not made.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 prior year statewide average? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below that of the prior two years? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 prior two years, is the district addressing the complaint(s)? <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13.5 For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.7 Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? <input type="checkbox"/> According to documents provided to FCMAT, the district does not charge indirect costs to most of its restricted programs, such as Special Education, Educator Effectiveness, LCFF Equity Multiplier, Universal Prekindergarten, and Proposition 28 – Arts and Music in Schools. Within the past three years, the district charged indirect costs only to the Expanded Learning Opportunities Program, Title I, Title II, Routine Restricted Maintenance Account, California State Preschool Program, and Child Nutrition School Program. Charging the maximum allowable rate to all restricted programs would allow the district to track the full actual cost of each program.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13.8 Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Information Systems and Data Management

	Yes	No	N/A
14.1 Does the district use an integrated financial and human resources system? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

During the 2022-23 fiscal year, the district received an audit finding for overstating the number of students who receive free or reduced-price meals.

- 14.4 Is the district using the same financial system as its COE?
- 14.5 If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems?
- 14.6 If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE 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 checked="" type="checkbox"/> | <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 checked="" type="checkbox"/> | <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?: | | | |
| <ul style="list-style-type: none"> • Accounts payable (AP). <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <p>Although the district has adequate internal controls for generating and approving warrants, it has insufficient segregation of duties. The user who creates new vendors in the accounts payable system can also pay that vendor, which is an internal control weakness.</p> | | | |
| <ul style="list-style-type: none"> • Accounts receivable (AR). <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <p>The district lacks proper segregation of duties in its accounts receivable processes, creating a risk for potential fraud or financial misstatements. One staff member is responsible for generating most of the district's invoices, receiving payments, preparing deposits, and posting deposits. The commonly recommended best practice is that the individual who creates invoices should not handle payments; this helps ensure proper financial oversight and reduce the risk of errors or misconduct.</p> <p>Similarly, deposit procedures are inadequate. One staff member processes, posts, and approves deposits in both district and county treasury financial systems, after obtaining only email approval from the CBO and county treasury. However, the CBO did not indicate that a process is followed that verifies that posted deposits match the approved amounts.</p> <p>In addition, the district office handles weekly deposits for all sites and departments. One staff member at the district office typically counts cash; a second staff member becomes involved only if discrepancies arise. Cash deposits are often not stored in tamper-evident bags after counting, further compromising security.</p> | | | |
| <ul style="list-style-type: none"> • Purchasing and contracts. <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> | | | |

Manual processes are used for purchasing and contract approvals; however, the district does not use a safeguard in the financial system to prevent the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure.

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

15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year? ✓

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

15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools? ✓

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

Although the district’s Board Policy (BP) 3400 states, “The Superintendent or designee shall develop internal controls which aid in the prevention and detection of fraud,” documents and interviews with school employees did not provide evidence that the district has comprehensive fraud detection controls.

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? ✓

Although the district’s Board Policy (BP) 3400 states, “the Superintendent or designee shall establish a method for employees and outside persons to anonymously report any suspected instances of fraud,” and, “The Superintendent or designee shall have primary responsibility for any necessary investigations of suspected fraud”, documents and interviews with school employees did not provide evidence that the district has developed a formal fraud collection and investigation process. The district lacks a dedicated, anonymous fraud reporting hotline.

15.9 Does the district have an internal audit process? ✓

The district does not have an internal audit process.

16. Leadership and Stability

	Yes	No	N/A
16.1 Does the district have a chief business official who has been in this position with the district for more than two years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.2 Does the district have a superintendent who has been in this position with the district for more than two years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.3 Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet?	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.4 Is training on financial management and budget provided to school and department administrators who are responsible for budget management?	<input type="checkbox"/>	✓	<input type="checkbox"/>
Per district interviews, the business department does not offer any type of training on budget management.			
16.5 Does the governing board adopt and revise policies and administrative regulations annually?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff? ✓
 Staff indicated that newly adopted or revised policies and administrative regulations are not consistently communicated to them
- 16.7 Do all board members attend training on the budget and governance at least every two years? ✓
- 16.8 Is the superintendent’s evaluation performed according to the terms of the contract? . . . ✓
- 16.9 Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities? ✓

17. Multiyear Projections

- | | Yes | No | N/A |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|
| 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? <input type="checkbox"/> ✓ <input type="checkbox"/>
According to interviews, the Business Department does not accurately budget vacant positions in the current year or in multiyear projections. | | | |
| 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations? ✓ <input type="checkbox"/> <input type="checkbox"/> | | | |
| 17.3 Does the district use its most current multiyear projection when making financial decisions? ✓ <input type="checkbox"/> <input type="checkbox"/> | | | |
| 17.4 If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable? ✓ <input type="checkbox"/> <input type="checkbox"/> | | | |

18. Non-Voter-Approved Debt and Risk Management

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

19. Position Control

	Yes	No	N/A
19.1 Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
According to interviews, the Business Department does not accurately budget vacant positions in the current year or in multiyear projections. In addition, substitutes, overtime, stipends, and employer-paid benefits are not included in position control. Therefore, position control reports will not accurately show the total approved FTE and staffing costs.			
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 financial reporting periods?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?	<input 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 at least monthly to discuss issues and improve processes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Staff indicated that human resources and payroll frequently hold impromptu meetings. These meetings do not involve staff responsible for budget functions; they mainly focus on resolving immediate human resources and payroll concerns or inquiries. No evidence was provided to indicate that these meetings improve district processes.			

20. Special Education

	Yes	No	N/A
20.1 For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students’ support needs also considered? If so, are those needs documented and evaluated at each budget cycle?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The team used the FCMAT Special Education Efficiency Tool to determine if the district’s staffing ratios align with statutory requirements and industry standards. The industry-standard caseload range for special day classes for students with moderate to severe needs in grades kindergarten through 12 is 10–12 students, while the district’s caseload range for these students varies from seven to 15.			
20.2 Does the district access all available funding sources for costs related to special education (e.g., state 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)? ✓
- 20.5 Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?. ✓
- 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? ✓
 FCMAT calculated the district’s 2023-24 identification rate (excluding charter school data) and found it to be 19.56%, which is higher than the countywide and statewide average rates (excluding charter school data) of 14.93% and 13.89%, respectively.
- 20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period? ✓

Risk Score, 20 numbered sections only: 30.2%

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

Study Agreement



**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR TRIGGERED FISCAL HEALTH RISK ANALYSIS**

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Cascade Union Elementary School District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with the state budget act provisions, FCMAT will study the Client’s fiscal health because the Client's 2024-25 first interim financial report, certified under EC 42130 and 42131, marks its third consecutive qualified certification.

FCMAT will assign professionals to conduct the study. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client’s county superintendent of schools of this Agreement.

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](#) (FHRA) and identify the Client’s specific risk rating for fiscal insolvency.

B. Services and Products to be Provided

1. Orientation Meeting

The Team will conduct an orientation session at the Client’s location to brief the Client’s management and supervisory personnel on the Team’s procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork

The Team will conduct fieldwork at the Client’s office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

3. Exit Meeting

The Team will hold an exit meeting at the conclusion of the fieldwork to inform the Client of the status of the study. The exit meeting will include a review of the scope of work; outstanding items, including documents, data and interviews not yet received or held; and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter

Approximately five business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report

An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report

An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation

Presentations to the Client's board will be made depending on the Client's risk rating. If the risk rating is low, the board presentation is optional and will be considered at the request of the Client. If the risk rating is moderate or high, the Team will make a board presentation at the Client's first regularly scheduled board meeting following the issuance of the final report. If the Team is unable to present at the first regularly scheduled board meeting following the issuance of the final report, the Team will make a board presentation at a regularly scheduled board meeting that is mutually agreeable to the Parties.

3. PROJECT PERSONNEL

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

4. PROJECT COSTS

Pursuant to the state budget act, costs for the study will be covered by a specific state appropriation for this purpose. FCMAT will not charge the Client for any costs.

5. RESPONSIBILITIES OF THE CLIENT

- A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.
- B. Provide private office or conference room space for the Team's use during fieldwork.
- C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.
- D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

- E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.
- F. Facilitate access to requested board members, officers and staff for interviews.
- G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.
- H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.
- I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. This goal is especially important given that the Client has experienced an event described under Basis of Agreement that may indicate fiscal distress. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client’s triggered event.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the of person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client’s return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT’s online SharePoint repository.	Within five business days of the Client’s receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within five business days of FCMAT’s receipt of requested documents and data.
Orientation meeting	First day of fieldwork
Exit meeting	Last day of fieldwork
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT’s request.
Client uploads supplemental documents and data to FCMAT’s online SharePoint repository.	Within two business days of the Client’s receipt of FCMAT’s supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within four weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within five business days of FCMAT providing a draft report to the Client.

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related 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 report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT. If FCMAT terminates the Agreement, FCMAT will issue a management letter in lieu of the final report explaining the reasons why FCMAT terminated the Agreement and reporting on any FHRA elements for which data was collected and a conclusion could be reached.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. 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 Client in any manner without prior express written authorization from an officer of the Client.

9. RECORDS

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the [FCMAT website](#). Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. CONTACT WITH PUPILS

Pursuant to EC 45125.1, representatives of FCMAT will have limited contact with pupils. The Client shall take appropriate steps to comply with EC 45125.1.

11. 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 Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

12. HOLD HARMLESS

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

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 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, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).
- C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

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

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client’s contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT’s process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT’s job lead assigned to the study.

Name: Jason Provence, Superintendent

Telephone: (530) 378-7000

Email: jason.provence@cuesd.com

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

Jason Provence Digitally signed by Jason Provence
Date: 2025.02.07 14:23:39 -08'00'

Jason Provence, Superintendent Date
Cascade Union Elementary School District

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2025.02.08 07:42:52 -08'00'

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