30TH ANNIVERSARY FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

January 27, 2022

Curtis Creek Elementary School District

Michael H. Fine
Chief Executive Officer

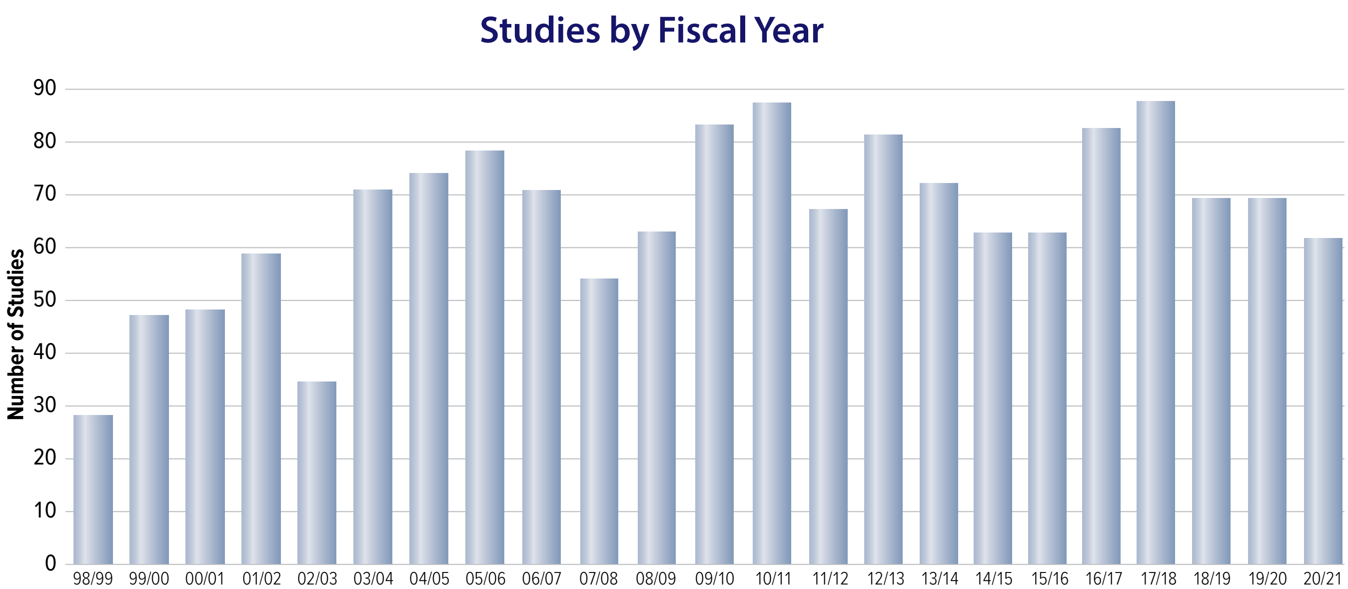
Contents

About FCMAT

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

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

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



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

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

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

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

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

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

Introduction

Background

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

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

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

This fiscal health risk analysis is being conducted because the district received a "lack of going concern" designation, under which an analysis is required by the 2018-19 State Budget Act.

The Curtis Creek Elementary School District, located in a rural area of Tuolumne County, California, is a single-school district which, according to Ed-Data, served approximately 431 students in transitional kindergarten through eighth grade in 2020-21 and had an unduplicated pupil percentage of 53.83% (that is, the percentage of students who are English learners, foster youth, and/or qualify for free or reduced-price meals). The district is governed by a five-member board and operates with a current year general fund budget of approximately $6.1 million.

On September 15, 2021, the Tuolumne County Superintendent of Schools approved the district's 2021-22 Local Control and Accountability Plan (LCAP) and adopted budget. However, the county superintendent identified the district as a lack of going concern, citing concerns regarding projected deficit spending through 2023-24, a significant decrease in unrestricted general fund balance for the same period, and a lack of stability of long-term leadership in key positions.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Curtis Creek Elementary School District on October 14, 2021. The FCMAT study team conducted interviews virtually on October 25-26, 2021, and subsequently collected additional data and reviewed and analyzed documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

Shayleen Harte
FCMAT Deputy Executive Officer

Andrea Dodson
FCMAT Intervention Specialist

John Lotze
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For K-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: October 25-26, 2021

District: Curtis Creek Elementary School District

Summary

In concurrence with the concerns cited by the Tuolumne County Superintendent of Schools leading to the lack of going concern designation, FCMAT's Fiscal Health Risk Analysis also identified issues with deficit spending, a significant decrease in unrestricted general fund balance and changes in key district administration. In addition, significant risks were found in budget development and monitoring, collective bargaining agreements, enrollment and attendance, lack of internal controls, and multiyear projections.

Because Curtis Creek is a small, single-school district with limited district staff, a turnover in any position can lead to a lack of transfer of information and continuity of district plans and actions. Small districts often do not focus on cross training staff in one another's duties to help cover duties when a staff member leaves, which many times results in a steep learning curve for new employees.

The district's main source of income is generated by the Local Control Funding Formula (LCFF), which is largely driven by student attendance. Since 2016-17, the district has shown unchanging or slightly declining enrollment, with the exception of an increase for the 2019-20 school year; however, that was followed by an immediate and large decrease the following year. In reviewing the district's LCFF Calculator data, enrollment projections show increasing enrollment and do not appear to be based on industry-standard methods or to be in alignment with the district's enrollment trend, which could result in the district's revenue being overstated in both the current and future years.

Significant risk was found in the area of budget development and monitoring. For the district's fiscal year 2021-22 budget development and submission, supporting documents provided did not include detailed local budget assumptions, which are needed to make sound programmatic and financial decisions.

Another significant risk involves deficit spending. Although the district's 2019-20 and 2020-21 unaudited actuals reports do not show deficit spending in the unrestricted general fund, the 2021-22 adopted budget projects deficit spending of $306,926 in the current year, $708,954 in 2022-23 and $742,192 in 2023-24. This results in the unrestricted general fund balance decreasing by 81.4%, from $1,782,522 in 2021-22 to $331,377 in 2023-24. This also results in a decrease in the total general fund available reserves, including Fund 17, from 34.40% in 2021-22 to 12.83% in 2023-24. The steep reduction in the unrestricted general fund balance and decrease in available general fund reserves is not sustainable and could easily lead to the district losing local control unless measures are put in place to reduce or eliminate deficit spending.

The district's lack of internal controls creates some risk exposure. Because of its size and limited staff, the district lacks systems and procedures to ensure segregation of duties and oversight of business functions in areas such as accounts payable, accounts receivable and payroll. This could lead to inaccuracies, inefficiencies and possible fraud due to a lack of prevention and detection measures.

Ultimately, the governing board is responsible for the district's budget. Management has the responsibility to maintain the integrity of the district's systems, to secure the district's assets, and to present sound financial information based on current and accurate data so the board can make informed decisions and maintain the district's fiscal solvency.

District Fiscal Solvency Risk Level: High

About the Analysis

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years. This FHRA is based on the district's 2021-22 adopted budget.

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 *without* the following?:	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation	☐	✓

	Material Weakness Questions	Yes	No	N/A
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	☐	☐
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	☐	✓	☐
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	☐	✓	☐
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	☐	✓
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	☐	☐	✓
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	☐	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	☐	☐

7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	☐	✓
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	☐	✓	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	☐	✓	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	☐	☐	✓
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	☐	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?.	✓	☐	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
19.1	Does the district account for all positions and costs?	✓	☐	☐

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.1%
2.	Budget Development and Adoption	4.5%
3.	Budget Monitoring and Updates	5.9%
4.	Cash Management	2.9%
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	0.6%
10.	Enrollment and Attendance	5.5%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	0.2%
14.	Information Systems and Data Management	2.0%
15.	Internal Controls and Fraud Prevention	5.5%
16.	Leadership and Stability	3.3%
17.	Multiyear Projections	2.9%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	0.0%
20.	Special Education	1.1%
Score		**44.1%**

Fiscal Health Risk Analysis Questions

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

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

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	Has the district corrected the most recent and prior two years' audit findings without affecting its fiscal health?	✓	☐	☐
1.2	Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller's Office should be explained.)	✓	☐	☐
1.3	Were the district's most recent and prior two audit reports free of findings of material weaknesses?	☐	✓	☐

The district's 2017-18 audit report contained two findings of material weakness.

The first identified that the district had not established appropriate procedures to ensure that all clearing accounts were being cleared properly throughout the year and reconciled through June 30 before closing the books and preparing the unaudited actuals financial report. As a result, the district did not detect that it was paying out more from the workers' compensation clearing account than what was being transferred in as a payroll-generated liability; therefore, it was understating its workers' compensation expenditures.

The second identified that the district did not have appropriate procedures in place to ensure that all significant expenditures related to facilities projects were recorded in the appropriate financial reporting period. As a result, the 2017-18 unaudited actuals report prepared by the district did not include $192,737 of capital outlay expenditures that were related to work completed during fiscal year 2017-18. An audit adjustment was required, which decreased the general fund.

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

2. Budget Development and Adoption

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

District-provided documents show relatively consistent financial information being provided at each reporting period throughout the year, including statewide assumptions that align with the county office of education's instructions. However, the budget and assumption communications lack a summary of local activity in the district's financial *projections. For example, communications provided do not convey how the district has projected essential elements, such as the following:*

- *Major, new, expiring, one-time or carryover revenues.*
- *Enrollment, unduplicated pupil count (UPC) (that is, the number of pupils who are foster youth, English learners, and/or who qualify for free or reduced-price meals), or average daily attendance (ADA) estimates.*
- *Major, new, discontinued, or one-time expenditures.*
- *Activity and changes in other operational funds, such as child nutrition.*

Instead, communications are focused mainly on providing definitions for categories included in the financial reports. While this information is valuable to help stakeholders and decision makers interpret high-level information in the reports, a summary of major activities underlying the figures would provide the details needed to make sound program and financial decisions.

In addition, in the multiyear projections developed throughout the 2019-20 and 2020-21 fiscal years, and in the 2021-22 adopted budget, the first and subsequent years do not include the county office of education's recommended increases in special education excess costs.

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

2.3 Does the district use position control data for budget development? . . . . ✓ ☐ ☐

2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . . ☐ ✓ ☐

The district uses the FCMAT LCFF Calculator to project LCFF revenue. The calculator contains enough calculation detail to develop accurate projections; however, the results it produces are highly dependent on local data entered by the district.

In reviewing the LCFF Calculator results submitted by the district, the method used to estimate the data entered in the calculator appears underdeveloped. For example, the table below shows that enrollment projections are rounded and do not appear to be based on cohort progression.

Fiscal Year	District Enrollment
2018-19 (historical)	454
2019-20 (historical)	495
2020-21 (historical)	431
2021-22	467
2022-23	480
2023-24	490
2024-25	490
2025-26	490
2026-27	490

*Source: LCFF calculator titled, "Unaudited Actuals."

Information from interviews indicates that estimates for enrollment are based on community awareness and the superintendent's input. In best practice, an enrollment projection begins with one of several industry-standard methods and then is modified *to include local information. The main industry-standard methods include simple age through, linear regression, and cohort survival.*

Information from interviews indicates that the district does not use a projection tool because the county office of education does not provide one. Each district is responsible for developing its own enrollment, ADA and UPC projections, and has the flexibility to select a method and tool that suits its local needs. The county office is not required to select or provide a calculation tool as part of its oversight responsibilities. The district may choose a tool that has the methods integrated, such as FCMAT's Projection-Pro, or may choose to develop its own tool locally using a spreadsheet software.

2.5 Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . . ✓ ☐ ☐

2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . . . ☐ ✓ ☐

Information from interviews indicates that budget development occurs mainly in the business office and does not include meetings with stakeholders before budget adoption. Changes to the current year budget are then applied during the year as requests are received from staff and administrators.

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

Ending balances from the three prior years show most ending fund balances increasing year over year in some resources.

Resource	Code	2017-18 Actuals**	2018-19 Actuals**	2019-20 Actuals**	2020-21 Actuals***
Lottery: Unrestricted*	1100	$14,525.67	$61,195.46	$108,396.38	$190,810.75
Lottery: Instructional Materials	6300	60,342.74	75,371.12	81,479.29	102,381.90
Other Restricted Local	9010	3,315.31	946.14	2,323.75	2,323.75

*Lottery: Unrestricted, also known as unrestricted Non-Proposition 20 lottery funds, is reported as unrestricted but has some restrictions that mean it cannot be used for acquisition of real property, construction of facilities, financing of research, or other noninstructional purposes.

**Source: CDE data https://www.cde.ca.gov/ds/fd/fd/

***Source: district-provided data

2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year? . . . . ✓ ☐ ☐

2.9 Has the district refrained from including carryover funds in its adopted budget? . . . . . . ☐ ✓ ☐

Information from interviews indicates that the district has carryover funds in its adopted budget. However, detail was unavailable for further review because the district did not document carryover values from the adopted budget.

2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts? . . . . ✓ ☐ ☐

		Yes	No	N/A
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?	☐	✓	☐

Information from interviews indicates that the district does not have a documented policy or procedure for evaluating any proposed acceptance of grants and other types of restricted funds.

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

Although the director of business maintains a budget calendar for her own use, the calendar is not communicated to other district employees who are responsible for completing tasks on the budget calendar.

3. Budget Monitoring and Updates

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

For the 2021-22 adopted budget, the district budgeted $24,243.60 of revenue in State Aid – Prior Years at adopted budget. This is an improper use of this object code because to project a valid budget for this object code, the district must first generate the end-of-year financial statement accruals, which occurs after budget adoption, to determine if an accrual was inaccurate and requires an adjustment. This results in the adopted budget ending fund balance being overstated by $24,243.60.

		Yes	No	N/A
3.2	Are budget revisions posted in the financial system at each interim report, at a minimum?	☐	✓	☐

There are two interim reporting periods in a fiscal year: first interim, which includes activity through October 31; and second interim, which includes activity through January 31. At a minimum, the general ledger should show two budget revisions, one for each interim reporting period. However, for the 2020-21 fiscal year, the district processed only one budget revision, which was dated February 16, 2021.

		Yes	No	N/A
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 district attempts to provide an explanation whenever standards are not met in the criteria and standards; however, the explanations do not correctly or adequately address not meeting the criteria or standard.

For example, in the criteria and standards accompanying the 2021-22 adopted budget, standard 5C.1a. prompt states the following:

> *Projected ratio(s) of unrestricted salary and benefit costs to total unrestricted expenditures are outside the standard in one or more of the budget or two subsequent fiscal years. Provide reasons why the projection(s) exceed the standard, a description of the methods and assumptions used in projecting salaries and benefits, and what changes, if any, will be made to bring the projected salary and benefit costs within the standard.*

Ratio of Unrestricted Salaries and Benefits to Total Expenditures

Fiscal Year	Calculated Ratio	Standard Ratio Rate	Status
2018-19	83.2%	N/A	N/A
2019-20	81.4%	N/A	N/A
2020-21	81.1%	N/A	N/A
Historical Average	81.9%	81.9% + or - 4%: 77.9% to 85.9%	N/A
2021-22	77.0%	77.9% to 85.9%	Not Met
2022-23	77.4%	77.9% to 85.9%	Not Met
2023-24	77.2%	77.9% to 85.9%	Not Met

The district's response was, "An increase of 5% on the salary schedule, 2 added Certificated FTE positions created, Unemployment Rate increase, Health and Welfare increase and cost of PERS & STRS rate increases." This response does not address the cause of the unmet standard. The items listed increase the cost of salaries and benefits, which cause the ratio to be higher. However, the standard is asking why the ratio of salaries and benefits is below the expected value, an issue that, without further explanation, could indicate the district has underestimated salaries and benefits in each of the three projected fiscal years.

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? . . . . ☐ ✓ ☐

As part of the 2021-22 budget and LCAP approval letter to the board, the county office of education identified deficit spending as an ongoing concern. At the 2019-20 second interim, the district included a deficit reduction plan with reductions through 2021-22. However, in the 2021-22 budget, the district continues to project deficit spending that increases through the 2023-24 fiscal year.

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

According to information from interviews, the financial system is set up to alert the user who enters a transaction when an account code has insufficient budget available. However, rather than heeding the warning and adjusting the budget before continuing, district staff enter a password to override the warning and continue to process the transaction with insufficient budget.

3.8 Does the district encumber and adjust encumbrances for salaries and benefits? . . . . . . ☐ ✓ ☐

Information from interviews indicates the district does not use any process to encumber salaries and benefits.

The district's financial system offers multiple options to encumber salaries and benefits against the budget. The district is unable to use one option because it does not maintain position control within the financial system. However, a second option that remains available is to encumber payroll and benefits for the remaining months of the fiscal year based on the last processed monthly payroll.

Although the integrated position control encumbrances would provide more accurate estimates, encumbrances created from the last processed monthly payroll would still help the district identify insufficient salary and benefit budgets before they become a major issue.

3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close? . . . . ✓ ☐ ☐

		Yes	No	N/A
3.10	For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?	✓	☐	☐

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?	☐	✓	☐

The county office of education reconciles the accounts held by the county treasurer and provides the reconciled data to the district. Although the county office of education reconciles the accounts in a timely manner compared to when it receives the cash activity reports from the county treasurer, there is a notable delay in the receipt of this information. Consequently, the accounts are not reconciled within 30 days of the end of the month.

		Yes	No	N/A
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements 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?	☐	✓	☐

Information from interviews and district documents indicate the district projects cash flow only for the current year and updates it only at mandatory reporting periods. For example, the district's Adopted Budget 2021-22 & Estimated Actuals 2020-21 Executive Summary includes a cash flow projection only for 2021-22, not for 2022-23.

		Yes	No	N/A
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	☐	✓
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	☐	☐
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?	✓	☐	☐
4.7	If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement?	☐	☐	✓

5. Charter Schools

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

6. Collective Bargaining Agreements

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

6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	☐	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	☐	☐
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)?	☐	✓	☐

Based on the Summary of Proposed Agreement documents provided, the district settled the total cost of the bargaining agreements, including step and column increases, above the funded COLA of 0% for 2020-21 and 5.07% for 2021-22 for all groups.

On June 8, 2021, the district's governing board approved a number of actions for the classified California School Employees Association (CSEA) #276 collective bargaining unit, including the following for 2019-20 and 2020-21:

- *A removal of step 2 from the food service assistant position.*
- *A move from range C to range D for the computer aide position.*
- *A move from range B to range C for instructional aides (removing range B).*
- *A 1% retroactive salary increase to April 1, 2021.*

In addition, for 2021-22 (beginning July 1, 2021), the board agreed to remove step 2, add step 12, add a 1.5% increase to the salary schedule and an additional $200 to the health and welfare maximum. The summary states that the total cost increase for salaries and benefits in the proposed agreement is 5.65%. On July 13, 2021, the board approved an additional 2% salary increase for the same bargaining unit effective July 1, 2021. Both AB 1200 disclosure documents were signed by the director of business services but not by the district superintendent. Also, in both cases the board took action to approve the agreement before approving the public disclosure that should be approved first.

On July 13, 2021, the board approved a retroactive 1% salary increase for the Curtis Creek Faculty Association (CCFA) effective July 1, 2020, and a 4% salary increase effective July 1, 2021. The board also approved an increase from $69.48 to $75.00 per unit and an increase of $200 to the health and welfare maximum, both effective July 1, 2021. The summary of proposed agreement included only a 1% increase, which, along with step and column, showed a total increase of 4.5% for the average represented employee. This would increase to 8.5% if the 4% increase was included. The July 13, 2021 board meeting minutes state that the public disclosure did not include the 4% increase because the budget that had been approved in June already included a 5% increase. A public disclosure document is independent of the budget approval process and is intended for a district to publicly disclose the true and actual costs of a proposed agreement. As with the CSEA disclosures, the CCFA public disclosure was signed only by the director of business services, and the board took action to approve this agreement before approving the public disclosure.

On June 15, 2021, the board approved a 5% salary increase for the Curtis Creek confidential management group. In addition, the summary of the proposed agreement states that there will be a "rounding the longevity schedule" and an addition of $200 to the health and welfare maximum. All items are effective July 1, 2021. The proposed *agreement states that the total increase for the average represented employee is 8.5% when step and column increases are included. This disclosure was signed by both the superintendent and the director of business services; however, as with the other agreements, the board took action to approve the agreement before approving the public disclosure.*

		Yes	No	N/A
6.6	If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)?	☐	☐	✓
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?	☐	✓	☐

The district did not meet all public disclosure requirements, because some disclosures provided to FCMAT did not include a signature by the district superintendent (see item 6.5 above).

According to board minutes, disclosures are reviewed and approved after action is taken by the governing board to approve the related agreement. Government Code 3547.5 (a) requires the district to disclose the major provisions of a collectively bargained agreement before approving the agreement. The disclosure ensures that the public is aware of the costs associated with a tentative collective bargaining agreement before it becomes binding as a result of board approval.

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

Some disclosures provided to FCMAT did not include a signature by the district superintendent (see item 6.5 above).

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

Some disclosures provided to FCMAT did not contain the district superintendent's signature or, if there was no superintendent or acting superintendent, an explanation of why the superintendent's signature was unavailable, to certify that the district could meet the costs it is incurring under the agreement, as required by Government Code 3547.5(b). The board minutes stated that all bargaining agreements (referenced in item 6.5 above) were approved unanimously by the board of trustees.

7. Contributions and Transfers

		Yes	No	N/A
7.1	Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?	☐	✓	☐

Contributions to restricted resources were $791,174 in 2019-20, $915,771 in 2020-21, and projected to be $931,401 in the 2021-22 adopted budget. Information from interviews indicated that the district does not have a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.

		Yes	No	N/A
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	☐	✓
7.3	If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?	✓	☐	☐

8. Deficit Spending (Unrestricted General Fund)

		Yes	No	N/A
8.1	Is the district avoiding deficit spending in the current fiscal year?	☐	✓	☐
	According to the 2021-22 adopted budget, the district is projected to deficit spend $306,926.			
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	☐	✓	☐
	According to the 2021-22 adopted budget's multiyear projection, the district is projected to deficit spend $708,954 in 2022-23 and $742,192 in 2023-24.			
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?	☐	✓	☐
	Information from interviews indicated the board has not approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency.			
8.4	Has the district decreased deficit spending over the past two fiscal years?	☐	✓	☐
	The district's 2019-20 and 2020-21 unaudited actuals reports do not show deficit spending in the unrestricted general fund; however, the 2021-22 adopted budget projects deficit spending of $306,926.			

9. Employee Benefits

		Yes	No	N/A
9.1	Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	✓	☐	☐
9.2	Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district's unrestricted general fund revenues?	✓	☐	☐
9.3	Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?	✓	☐	☐
9.4	Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	☐	✓	☐
	Individuals interviewed stated that the district has not conducted a benefits eligibility audit or review within the last five years.			
9.5	Does the district track, reconcile and report employees' compensated leave balances?	✓	☐	☐

10. Enrollment and Attendance

		Yes	No	N/A
10.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?.	☐	✓	☐
	According to Ed-Data, the district's census day enrollment was 454 in 2018-19 and 431 in 2020-21, a decline of approximately 5%. At the time of FCMAT's fieldwork, the 2021-22 census day enrollment had not yet occurred; however, the district assumed approximately a 4% enrollment increase to 448 in the 2021-22 adopted budget.			

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)? . . . . ☐ ✓ ☐

Information from interviews indicated the district does not monitor and analyze enrollment and ADA at least monthly.

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

Individuals interviewed stated that the district does not track historical enrollment and ADA data.

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

No evidence was provided that indicates enrollment and attendance data is reconciled monthly at the school site or district. The district's 2019-20 audit had an audit finding regarding attendance that stated teachers were not recording attendance in a complete and accurate manner, including sometimes marking students absent when they were present or not marking students as absent when they were ill or out of school for the entire day. Information from interviews indicated that staff responsible for attendance at the school have received training and that the director of business services is monitoring attendance.

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? . . . . ☐ ✓ ☐

In interviews, individuals indicated that enrollment projections were based on conversations between the superintendent and the director of business services. This method may not accurately estimate incoming transitional kindergarten and kindergarten students.

An industry-standard method of enrollment projection is to use local demographic information in addition to historical data correlations to project enrollment. This would include using county birth rate statistics to estimate transitional kindergarten and kindergarten enrollment, and using an industry-standard projection method such as simple age through, linear regression or cohort survival.

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? . . . . ☐ ✓ ☐

The district does not have processes and procedures in place to have school sites and departments (or a designated responsible person) review and verify their respective CALPADS data to correct it as needed before the report submission deadline.

10.8 Has the district planned for enrollment losses to charter schools? . . . . ☐ ☐ ✓

10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?. . . . . . . ✓ ☐ ☐

10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement? . . . . ✓ ☐ ☐

11. Facilities

		Yes	No	N/A
11.1	If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	✓	☐	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	☐	☐	✓
11.3	Does the district properly track and account for facility-related projects?	☐	☐	✓
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	☐	✓	☐
	The district was unable to provide documents to demonstrate it uses its facilities fully in accordance with the Office of Public School Construction's loading standards.			
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	☐	✓	☐
	According to individuals interviewed, the district develops the budget for facility needs as those needs occur and does not build maintenance, repair or other operating costs into the budget during the initial budget adoption process, other than the required RRMA contribution.			
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	☐	✓	☐
	Documents and interviews indicated some items identified during the Williams inspection remain unresolved but others are in the process of being resolved. For example, the district is awaiting bids to fix a leaky roof.			
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 a current facilities master plan but has issued a request for proposal (RFP) to begin developing 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?	✓	☐	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	✓
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	☐	✓	☐
	The district's 2021-22 adopted budget projects the unrestricted fund balance will decrease by 81.4% over the next two years, from $1,782,522 in 2021-22 to $331,377 in 2023-24.			

		Yes	No	N/A
12.5	If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level?	✓	☐	☐

13. General Fund – Current Year

		Yes	No	N/A
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	✓	☐	☐
13.2	Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year?	✓	☐	☐
13.3	Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?	✓	☐	☐
13.4	If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?	☐	☐	✓
13.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	✓	☐	☐
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	✓	☐	☐
13.7	Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?	☐	✓	☐

In the 2020-21 unaudited actuals report, the district was approved to charge a 10.33% indirect cost rate, but declined to charge indirect costs to any resource.

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	☐	✓	☐

The district uses one system to record financial transactions, process payroll and maintain basic human resources information. However, position control information is maintained in spreadsheet software, separate from the financial system.

		Yes	No	N/A
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?	☐	✓	☐

Information from interviews indicated that the district has struggled with identifying eligible students in the past but is implementing a new process in 2021-22 to improve the reliability of data between parallel systems or systems with duplicate data. In previous years, data was copied manually between systems, which resulted in data either not being copied between systems or being copied unreliably. The 2018-19 audit contained a finding that the district improperly classified students as eligible for free or reduced-price meals in CALPADS and claimed more funding than it was entitled to receive.

		Yes	No	N/A
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems?	☐	☐	✓

		Yes	No	N/A
14.6	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	☐	☐
15.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	☐	✓	☐

The county office maintains access controls to the financial system. A system is in place that requires the district to assign specific access to new employees. However, individuals interviewed stated that the district does not review access other than at the time of an employment change.

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

	Yes	No	N/A
• Accounts payable (AP)	☐	✓	☐

Although the district has a batch and authorization system in place for accounts payable, the district's payroll account clerk/human resources position has access to enter or change a vendor record, enter a warrant into a batch, receive the processed check, and mail the check to the vendor. The director of business assigns the budget code. The superintendent reviews and signs a printed batch report before it is sent to the county office of education for processing.

Vendor maintenance, accounts payable processing and receipt, review, and mailing of checks should be segregated so that the same individual does not have access to create or modify a vendor's payment information, generate a payment and take possession of the payment.

	Yes	No	N/A
• Accounts receivable (AR)	☐	✓	☐

The director of business generates invoices, receives the payments and generates the deposit in a clearing account. Once the deposit clears, she then processes a payment from the clearing account to the account with the county treasurer. In addition, she reconciles the clearing account.

Duties to generate and mail invoices, open and receipt payments, process deposits, reconcile banking accounts and transfer funds between banking accounts should not reside with the same individual.

	Yes	No	N/A
• Purchasing and contracts.	✓	☐	☐
• Payroll	☐	✓	☐

Information from interviews indicated that the district's payroll account clerk/human resources position is responsible for entering, submitting and reviewing the returned payroll. The same person is also responsible for entering human resources information in the financial software system. Position control information is entered by the director of business, but this information is contained in a separate system and is not linked to the processing of payroll.

The superintendent signs off on a printed payroll report before it is submitted to the county office for processing.

Payroll processing and human resources maintenance should be segregated so that one individual does not have access to create an employee in the financial system, process payroll, and have access to the payroll checks.

		Yes	No	N/A
	• Human resources (i.e., duties relative to position control and payroll processes)	☐	✓	☐

Maintaining human resources records related to the processing of payroll is not segregated from payroll itself. Position control is maintained by a separate individual, but the position control data is not used in the processing of payroll because it is contained in a separate, unlinked document. See item 15.3, Payroll, for further details.

		Yes	No	N/A
15.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
15.5	Does the district review and work to clear prior year accruals throughout the year?	✓	☐	☐
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	☐	☐
15.7	Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐

The district does not have any processes or procedures in place to discourage, detect or report fraud.

		Yes	No	N/A
15.8	Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?	☐	✓	☐

The district does not have a process for collecting reports of possible fraud or a process to follow up on a report of suspected fraud.

		Yes	No	N/A
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 with the district as chief business official for more than two years?.	✓	☐	☐
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years?	☐	✓	☐

The superintendent started with the district on July 29, 2021.

		Yes	No	N/A
16.3	Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?	✓	☐	☐
16.4	Is training on financial management and budget provided to site and department administrators who are responsible for budget management?	☐	✓	☐

No evidence was provided that indicates budget training has been provided to school site and department administrators who are responsible for budget management.

		Yes	No	N/A
16.5	Does the governing board adopt and revise policies and administrative regulations annually?	✓	☐	☐

		Yes	No	N/A
16.6	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?	☐	✓	☐

The district does not have any process or procedure for communicating to staff about newly adopted or revised policies and administrative regulations; rather, staff are responsible for reviewing the available board packet for that information.

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

Not 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?	☐	✓	☐

The former superintendent's evaluation occurred outside of the time frame stated in her contract.

17. Multiyear Projections

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

The district was unable to provide a tool used to create the multiyear projection. Individuals interviewed stated that the district's multiyear projection is based on the base year, modified by an inflation factor provided by the county office of education. The district was unable to provide detailed industry-standard documents that list one-time funds, one-time expenditures and contributions included in a multiyear projection.

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

The district uses the FCMAT LCFF Calculator to project LCFF revenues. The calculator has multiyear capabilities based on district-entered assumptions for enrollment, UPC, ADA by grade span, and property taxes.

Accuracy in projecting LCFF revenues relies on the quality of the assumptions entered, and multiple industry-standard practices are available to project the assumptions. For example, enrollment is commonly projected using one of the following methods: simple age through; linear regression; or cohort survival. Unduplicated pupil count and ADA are commonly projected based on their respective historical relationship to enrollment.

The district bases its assumptions on discussions with staff members and board members regarding trends, residential and commercial development, and interdistrict transfers. The results from these discussions are then used in the multiyear projection.

This process may yield a reasonable estimate for the current year, but it is not a reliable method for use in multiyear projections. At a minimum, the district should include the impact of the progression of students from each grade level to the next.

17.3	Does the district use its most current multiyear projection in making financial decisions?	☐	✓	☐

The district updates its multiyear projection at required reporting periods but does not reference it when making financial decisions outside of the financial reporting process.

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?	☐	☐	✓

18. Non-Voter-Approved Debt and Risk Management

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

19. Position Control

		Yes	No	N/A
19.1	Does the district account for all positions and costs?	✓	☐	☐
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment?	✓	☐	☐
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?	✓	☐	☐
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	✓	☐	☐
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	✓	☐	☐
19.6	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?.	✓	☐	☐

20. Special Education

		Yes	No	N/A
20.1	Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	✓	☐	☐
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	✓	☐	☐
20.3	Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	✓	☐	☐
20.4	Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	☐	✓	☐

No indirect costs were charged to the special education resources for fiscal years 2018-19, 2019-20 or 2020-21. It is unknown whether other costs existed that should have been charged to the special education program. Charging all allowable expenses to programs would provide the district with a full understanding of the resources needed to run the program and possibly provide opportunities to increase cost efficiency.

20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	☐	✓	☐
	The district's 2020-21 unaudited actuals special education maintenance of effort report (Form SEMA) shows total district expenditures for special education to be $715,002, with $616,383, or 86.2%, as the district's contribution rate. This exceeds the last published statewide average contribution rate of 67.17%.			
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 2020-21 identification rate was 16%, which is higher than both the countywide rate of 14.4% and the statewide average rate of 12.5% for the same period.			
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	✓	☐	☐

Risk Score, 20 Numbered Sections Only: **44.1%**

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.)