

## Fiscal Health Risk Analysis

June 11, 2025



## Franklin-McKinley Elementary School District

Michael H. Fine  
Chief Executive Officer

June 11, 2025

Juan Cruz, Superintendent  
Franklin-McKinley Elementary School District  
645 Wool Creek Drive  
San Jose, CA 95112

Dear Superintendent Cruz:

In April 2025, the Fiscal Crisis and Management Assistance Team (FCMAT) attempted to enter into an agreement with the Franklin-McKinley Elementary School District to conduct a Fiscal Health Risk Analysis in accordance with the state budget act provisions.

The agreement stated that FCMAT would perform the following:

1. 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.

As of the date of this letter and after repeated requests, the agreement has not been signed and returned to FCMAT. However, the law authorizes FCMAT to perform a fiscal health risk analysis when a district has been designated a lack of going concern, as is the case with the Franklin-McKinley Elementary School District.

This final report contains the fiscal health risk analysis with the study team's findings and recommendations based on publicly available documents, as well as limited documents provided by the district and the Santa Clara County Superintendent of Schools.

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

The Franklin-McKinley Elementary School District, located in East San Jose in Santa Clara County, spans 10.7 square miles and is governed by a five-member board. The district operates 13 elementary schools and three middle schools. The district also authorizes five charter schools.

On February 20, 2025, the Santa Clara County Superintendent of Schools issued a lack of going concern designation for the district. Because of this action, FCMAT attempted to engage with the district's administration on numerous occasions without success. Efforts to interview knowledgeable district staff about policies and procedures were unsuccessful despite multiple attempts to contact and confer with district administration. The district provided little documentation for review.

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 provided the Franklin-McKinley Elementary School District with a study agreement in April 2025 but did not receive it back with a district signature. However, state law authorizes FCMAT to conduct a fiscal health risk analysis when a district has been designated a lack of going concern. A FCMAT study team analyzed the district's publicly available budget documents and a small number of documents provided by the district. This report summarizes 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:

Robbie Montalbano, CFE  
FCMAT Intervention Specialist

Jennifer Noga, 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: N/A

School District: Franklin-McKinley Elementary

## Summary

The Santa Clara County Superintendent of Schools has raised concerns about the district's pattern of deficit spending since at least January 2022. In response to ongoing fiscal challenges, including a projected \$24.9 million structural deficit in 2024-25, the district initiated a school closure advisory committee in October 2024. This committee met through February 2025 and presented its report and recommendations on February 25, 2025. The district's 2024-25 first interim financial report projects a \$14 million deficit for 2024-25 and includes budget reductions for 2025-26 and 2026-27; however, the budget reductions have not been approved, including assumptions about school closures that have yet to be recommended or approved. Further, the expenditure reductions the governing board voted to approve on February 25, 2025 were less than the amount proposed by staff and the amount included in the multiyear projection at the first interim report.

A letter dated January 15, 2025, from the Santa Clara County Superintendent of Schools concurred with the district's qualified first interim budget certification for 2024-25 but raised concerns about financial sustainability. The district's board-approved fiscal stabilization plan proposes \$20 million in reductions for 2025-26 and \$4 million for 2026-27. At the time of this report, it is unclear how many of the approved measures have been implemented. However, the \$20 million in reductions includes items that are typically challenging to implement, such as the consolidation or closure of schools, negotiated concessions from labor partners for salary adjustments and reduced work calendars, and \$8 million in reductions to special education services.

On December 10, 2024, the governing board approved a 6.06% ongoing salary increase for classified staff retroactive to July 1, 2024. This increase adds \$1.7 million to the deficit over the current and two subsequent years and was not included in the 2024-25 first interim financial report. On February 20, 2025, the county superintendent issued a lack of going concern designation for the district. Because of this action, FCMAT attempted to engage with the district's administration on multiple occasions without success to perform this fiscal health risk analysis.

Efforts to interview knowledgeable district staff about policies and procedures were unsuccessful despite multiple attempts with district administration. The district provided minimal response to FCMAT's requests for documents, forcing FCMAT to rely solely on publicly available documents, limited district-provided documents, and documents provided by the Santa Clara County Office of Education. After receiving a draft of this report, district administrators provided some additional documentation. The team reviewed the information provided and made some modifications for this final report.

## 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 <sup>th</sup> 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	0.1%
2.	Budget Development and Adoption	4.0%
3.	Budget Monitoring and Updates	4.0%
4.	Cash Management	1.6%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.0%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	1.6%
9.	Employee Benefits	1.2%
10.	Enrollment and Attendance	4.6%
11.	Facilities	0.5%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	3.2%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	6.2%
16.	Leadership and Stability	2.4%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	6.0%
20.	Special Education	2.4%
<b>Score</b>		<b>44.9%</b>

# 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 type="checkbox"/>
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020? . . . . .	✓	<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 type="checkbox"/>	✓	<input type="checkbox"/>
<p>The 2022-23 audit noted a material weakness in internal control over financial reporting. The district's net position was overstated by \$1,853,488. The general fund ending balance was overstated by \$956,037, the cafeteria fund ending balance was understated by \$190,487, and the building fund ending balance was overstated by \$480,377.</p>			
1.4 Has the district corrected all audit findings from the most recent and prior two audits? . . .	✓	<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 type="checkbox"/>
2.2 Does the district use a budget development method other than a prior-year rollover budget and if so, does that method include tasks such as reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Although the district submitted a position control report as of May 8, 2025, there is not enough information to demonstrate that the district uses position control data for budget development.</p>			
2.4 Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly? . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>In the current fiscal year, the district's adopted budget received conditional approval from the county superintendent of schools. The conditional approval cited significant concerns about the district's structural deficit, dependence on proposed expenditure reductions, and overall financial instability.</p>			
2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>

FCMAT was unable to interview staff to determine if the budget development process included input from staff, administrators, the community, and the budget advisory committee.

- 2.7 Does the district budget and expend restricted funds before unrestricted funds?** . . . .

The district provided no evidence that restricted funds are budgeted and expended 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 sufficient documentation for FCMAT to determine whether the district has and follows a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds, or their potential multiyear impact on the unrestricted general fund.
- 2.12 Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?** . . . .

The district provided a calendar of deadlines; however, it does not include major budget development tasks and deadlines or the staff members and departments responsible for completing them.

### 3. Budget Monitoring and Updates

- |  | Yes | No | N/A |
|--|-----|----|-----|
| <p><b>3.1 Are actual revenues and expenses consistent with the most current budget?</b> . . . . <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>FCMAT reviewed the district’s 2024-25 first interim financial report and found that actual revenues and expenditures were not consistent with the most recent budget projections. Specifically, local revenue and dues/membership expenditures exceeded projections, indicating a misalignment between actual costs and the assumptions used in the budget.</p> |     |    |     |
| <p><b>3.2 Are budget revisions posted in the financial system at each interim reporting period, at a minimum?</b> . . . . <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>  |     |    |     |
| <p><b>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?</b> . . . . <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>   |     |    |     |
| <p><b>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?</b> . . . . <input checked="" type="checkbox"/> <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? . . . . . ✓
- 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? . . . . . ✓
- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? . . . . .  ✓   
 The district’s financial system issues a warning to the user when the budget is insufficient to support the expenditure; however, it does not prevent the processing of the requisition or purchase order.
- 3.8 Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed?. . . . .  ✓   
 The district provided no evidence that it encumbers funds for salaries and benefits.
- 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?. . . . .  ✓   
 The district’s unaudited actuals for the 2023-24 fiscal year were not presented to the governing board until September 24, 2024, nine days after the statutory deadline of September 15.

## 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"/> |
| 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"/> |
| The district’s board-approved Resolution 2024-22, passed on June 11, 2024, authorizes temporary borrowing between funds to meet short-term cash flow needs for the 2024-25 fiscal year. However, the resolution and plan appear to address only current year cash flow and do not provide a clear strategy for the subsequent fiscal year. |                          |                          |                          |
| 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"/> |
| The district did not provide documentation to show that it is complying with EC 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, 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"/> |
| 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"/> |

The district provided no evidence of a presettlement analysis.

- 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)? . . . . .  ✓

The district provided no information concerning bargaining unit settlements or the cost of step-and-column increases. The following table shows that the district settled with one of its bargaining units for more than the funded COLA; however, without the cost of step-and-column increases for each year, FCMAT was unable to determine if total costs for each bargaining unit exceeded funded COLA for each year.

**Funded COLA and Bargaining Settlements, 2022-23 through 2024-25**

Fiscal Year	Funded COLA	Certificated Settlement	Classified Settlement
2022-23	6.56%	6.56%	5.05%
2023-24	8.22%	8.05% <sup>1</sup>	5.51% <sup>2</sup>
2024-25	1.07%	0.00%	6.92% <sup>3</sup>

<sup>1</sup> Includes 3.00% one-time, off-schedule payment.  
<sup>2</sup> Includes 0.06% one-time, off-schedule payment.  
<sup>3</sup> Includes 0.86% one-time, off-schedule payment.

- 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?. . . . .
- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval? . . . . .     

The CBO did not certify the public disclosure of collective bargaining agreement before board approval on November 15, 2022. Neither the superintendent nor the CBO certified the public disclosure of collective bargaining agreement before board approval on June 27, 2023.
- 6.9 Is the governing board’s action consistent with the superintendent’s and CBO’s certification? . . . . .

## 7. Contributions and Transfers

- |   | Yes                                 | No                                  | N/A                                 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 7.1 Does the district have 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"/>            |
| <p>The district submitted no evidence of an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds. The district’s 2024-25 first interim financial report shows increasing contributions to restricted programs for 2025-26 and 2026-27.</p> |                                     |                                     |                                     |
| 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"/>            | <input checked="" 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
<p><b>8.1 Is the district avoiding deficit spending in the current fiscal year?</b> . . . . . <input type="checkbox"/></p> <p>According to the letter from the county superintendent dated September 13, 2024, the district’s 2024-25 adopted budget projected a \$27.4 million shortfall. The budget was approved conditionally because of the magnitude of expenditure reductions required to address the structural deficit.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . . <input type="checkbox"/></p> <p>The district’s unaudited actuals reports for 2022-23 and 2023-24 show no deficit spending in the unrestricted general fund; however, the 2024-25 first interim report projects a \$14.1 million deficit in the unrestricted general fund.</p>	<input type="checkbox"/>	✓	<input type="checkbox"/>

## 9. Employee Benefits

	Yes	No	N/A
<p><b>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)?</b> . . . . . <input type="checkbox"/></p>	<input type="checkbox"/>	<input type="checkbox"/>	✓
<p><b>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?</b> . . . . . <input type="checkbox"/></p>	<input type="checkbox"/>	<input type="checkbox"/>	✓
<p><b>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?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>9.4 Does the district track, reconcile and report employees’ compensated leave balances?</b> . . . . . <input checked="" type="checkbox"/></p> <p>The district did not provide evidence that it tracks, reconciles and reports employees’ compensated leave balances.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>9.5 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?</b> . . . . . <input type="checkbox"/></p> <p>Although the district provided a list of employees with leave balances, it did not contain enough information for FCMAT to determine that the district follows a policy or collectively bargained agreement to limit accrued vacation balances.</p>	<input type="checkbox"/>	✓	<input type="checkbox"/>

# 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?** . . . . .

District enrollment has been decreasing for the current and two prior years.

**District Enrollment 2019-20 Through 2024-25**

Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Enrollment	6575	6611	6196	5952	5766	5667
Percent Change		0.55%	-6.28%	-3.94%	-3.13%	-1.72%

Source: Adapted from EdData.

Note: 2024-25 enrollment is based on the California Department of Education (CDE) Apportionment Web Exhibit.

- 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)?** . . . . .

The district submitted copies of its attendance and enrollment procedures, but there is no evidence that the district follows these procedures or monitors and analyzes enrollment and ADA data at least monthly through 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?** . . . . .

The district submitted copies of its attendance and enrollment procedures; however, there is no evidence that the district follows these procedures or that it reconciles attendance monthly at the school and district levels.

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

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

The district submitted no documents indicating that it planned for enrollment losses to any 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?** . . . . .

The district submitted no documents indicating that schools and departments review and verify their respective CALPADS data and correct it as needed before the report 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
<b>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?</b> . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

<b>11.2 Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district provided a detailed general ledger for its facility funds; however, without additional information it is insufficient to demonstrate that the district has enough resources available to cover all contracted obligations for capital facilities projects.</p>			

<b>11.3 Does the district properly track and account for facility-related projects?</b> . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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<b>11.4 Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction’s loading standards?</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Based on information presented to the school closure advisory committee, the district does not use its facilities fully in accordance with Office of Public School Construction loading standards. Usage rates range from 28.35% at Sylvandale Middle School to 78.27% at Windmill Elementary School.</p>			

<b>11.5 Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget?</b> . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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<b>11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?</b> . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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<b>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?</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Measure H, a Proposition 39 bond, was passed in 2016. Measure R, also a Proposition 39 bond, was passed in 2020. When a bond measure is approved, the school district’s board must “establish and appoint members to an independent citizens’ oversight committee” as required by Education Code (EC) 15278(a). The composition of the committee is outlined in EC 15282, which states, in part:</p>			

- (a) The citizens’ oversight committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms ... The citizens’ oversight committee shall be comprised, as follows:
  - (1) One member shall be active in a business organization representing the business community located within the school district or community college district.
  - (2) One member shall be active in a senior citizens’ organization.
  - (3) One member shall be active in a bona fide taxpayers’ organization.
  - (4) For a school district, one member shall be the parent or guardian of a child enrolled in the school district. ...

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. ...

(b) An employee or official of the school district or community college district shall not be appointed to the citizens' oversight committee. A vendor, contractor, or consultant of the school district or community college district shall not be appointed to the citizens' oversight committee. ...

The district's website shows two vacancies on the oversight committee: one for an individual from a taxpayers' organization, and one for an individual from a business organization located within the district.

**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?** . . . . .

The district's most recent board-approved long-range facilities master plan was completed in 2020.

## 12. Fund Balance and Reserve for Economic Uncertainties

	Yes	No	N/A
<b>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>?</b> . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12.2 Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?</b> . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>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?</b> . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>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?</b> . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The district's 2024-25 first interim multiyear projection includes significant reductions in the 2025-26 fiscal year, including cuts to both certificated and classified salaries, a 47% reduction in books and supplies, and a 25% reduction in services and other operating expenditures, compared to the prior year. The projected fund balance in the two subsequent fiscal years is maintained mainly by these expenditure reductions rather than increases in ongoing revenue.</p>			
<b>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?</b> . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

# 13. General Fund – Current Year

	Yes	No	N/A
<p><b>13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures?</b> . . . . . <input type="checkbox"/></p> <p>The district did not submit sufficient documentation for FCMAT to determine whether the district ensures that one-time revenues do not pay for ongoing expenditures.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . . <input type="checkbox"/></p> <p>As of the 2024-25 first interim financial report, 89.1% of the district’s general fund unrestricted expenditure budget is allocated to salaries and benefits. This is higher than the statewide average of 86.0%, in 2023-24 (the latest information available).</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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)?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . . <input type="checkbox"/></p> <p>The district did not submit documentation demonstrating that, for positions supported with one-time or restricted funding, it either ensures that these funds are sufficient to pay for these staff or has a plan to pay for the positions with unrestricted funds.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?</b> . . . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>13.7 Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?</b> . . . . . <input type="checkbox"/></p> <p>According to the district’s 2023–24 unaudited actuals, indirect cost rates charged to programs varied and were not consistently the maximum allowable rate. Although some resources were charged near or at the district’s approved rate of 5.62%, others were significantly undercharged. For example, Special Education: IDEA Basic Local Assistance Entitlement was charged only 0.16%, Special Education: IDEA Mental Health was charged 2.53%, and Title III, English Learner Student Program was charged 2.00%.</p> <p>In the Food Service Fund (Fund 13), indirect costs were also applied below the allowable limit — 2.27% was charged to School Nutrition Programs and 5.00% was charged to Centers and Family Day Care, both of which are lower than the district’s approved rate of 5.62%.</p> <p>In addition, the district is not charging indirect costs to the Special Education program (resource 6500) or the Routine Restricted Maintenance Account.</p> <p>Charging full costs, including indirect costs, to all applicable programs enables a district to identify the true, full cost of each program and to recover otherwise undistributed general support costs.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>13.8 Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close?</b> . . . . . <input checked="" type="checkbox"/></p>	<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 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 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"/>
14.4 Is the district using the same financial system as its COE?. . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?. . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
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?. . . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓

## 15. Internal Controls and Fraud Prevention

	Yes	No	N/A
15.1 Does the district have controls that limit access to its financial system and include multiple levels of authorization? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2 Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district provided no evidence that it reviews and updates its financial system's access and authorization controls upon employment actions and at least annually.			
15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
• <b>Accounts payable (AP).</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district provided no evidence that accounts payable duties are segregated, supervised and monitored.			
• <b>Accounts receivable (AR).</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district provided no evidence that accounts receivable duties are segregated, supervised and monitored.			
• <b>Purchasing and contracts.</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district provided no evidence that purchasing and contracts duties are segregated, supervised and monitored.			
• <b>Payroll.</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district provided no evidence that payroll duties are segregated, supervised and monitored.			
• <b>Human resources (i.e., duties related to position control and payroll processes).</b> . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>

The district provided no evidence that human resources duties are segregated, supervised and monitored.

- 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? . . . .  ✓   
 The district provided no evidence that it has processes or procedures to discourage and detect fraud.
- 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports? . . . . .  ✓   
 The district provided no evidence of a process for collecting reports of possible fraud or for following up on such reports.
- 15.9 Does the district have an internal audit process? . . . . .  ✓   
 The district provided no evidence of 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"/> |
| The district provided no evidence of training on financial management and budget for school and department administrators who are responsible for 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? . . . . .                                 | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| The district provided no evidence indicating that newly adopted or revised policies and administrative regulations have been communicated and made available to staff. |                          |                          |                          |
| 16.7 Do all board members attend training on the budget and governance at least every two years? . . . . .   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| The district provided no evidence indicating that 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? . . .  | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |

Although the topic of the superintendent's evaluation appears on several board agendas, the district provided no evidence that the evaluation was 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"/> |
| 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"/> |
| The district did not provide its LCFF calculation for the 2024-25 first interim reporting period.  |                          |                          |                          |
| 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"/> |
| In its 2024-25 first interim report, the district made broad expenditure reductions in B1d and B2d. Other adjustments to its multiyear projection lack detailed explanations.  |                          |                          |                          |

## 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
<p><b>19.1 Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?</b> . . . . .</p> <p>The district did not provide enough documentation to determine whether it accounts for all positions and costs in position control.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment?</b> . . . . .</p> <p>The district did not provide enough documentation to determine whether it analyzes and adjusts staffing based on staffing ratios and enrollment.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?</b> . . . . .</p> <p>The district did not provide documentation indicating whether it reconciles budget, payroll and position control or how often it does so.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?</b> . . . . .</p> <p>The district did not provide documentation to indicate whether it identifies a budget source for each new position before the position is authorized by the governing board.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?</b> . . . . .</p> <p>The district did not provide documentation showing whether the governing board approves all new positions and extra assignments before positions are posted.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>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?</b> . . . . .</p> <p>The district did not provide documentation indicating whether managers and staff responsible for the district’s human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## 20. Special Education

	Yes	No	N/A
<p><b>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?</b> . . . . .</p> <p>Based on current staffing and caseloads, the district’s special education staffing and caseloads do not align with statutory requirements and industry standards. Many caseloads and are low, with no documentation indicating student needs that would merit the lower numbers.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>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)?</b> . . . . .</p>	<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)?** . . . . .  ✓

The district did not provide documents to indicate whether it uses appropriate tools to help it make informed decisions about whether to add services.

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

The district does not charge full indirect costs to special education. The district’s allowable indirect cost rate for 2024-25 is 5.67%. The 2024-25 first interim financial report shows that the district budgeted the following indirect cost rates.

**District-Budgeted Indirect Cost Rates by Resource**

Resource Code	Resource Title	District-Budgeted Indirect Cost Rate
3310	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	0.15%
3315	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	0.75%
3327	Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	0.00%
3345	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	0.00%
6500	Special Ed: Special Education Apportionment	0.00%
6546	State Mental Health-Related Services	5.30%
6547	Special Education Early Intervention Preschool Grant	0.00%

**20.5 Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?** . . . . .  ✓

The district did not provide documents that show whether it monitors contributions from the unrestricted general fund and adjusts 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 rate of identification of students to be 13.32%, which is higher than the countywide average rate of 12.15% but lower than the statewide average rate of 13.89%.

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

The district does not analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period.

**Risk Score, 20 numbered sections only: 44.9%**

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

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

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

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

# 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 Franklin-McKinley 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 state budget act provisions, FCMAT will study the Client’s fiscal health because the county superintendent of schools designated the Client as a lack of going concern in accordance with EC 42127.6.

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

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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 Vann, CBO

Telephone: (408) 283-6064

Email: [jason.vann@fmsd.org](mailto:jason.vann@fmsd.org)

**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:

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Juan Cruz, Superintendent Date  
Franklin-McKinley School District

For FCMAT:

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