

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

June 17, 2024



Oak Run Elementary School District

Michael H. Fine
Chief Executive Officer

June 17, 2024

Misti Livingston, Superintendent/Principal
Oak Run Elementary School District
27635 Oak Run to Fern Road
Oak Run, CA 96069

Dear Principal/Superintendent Livingston:

In March 2024, the Oak Run Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

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

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

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

FCMAT appreciates the opportunity to assist the Oak Run Elementary School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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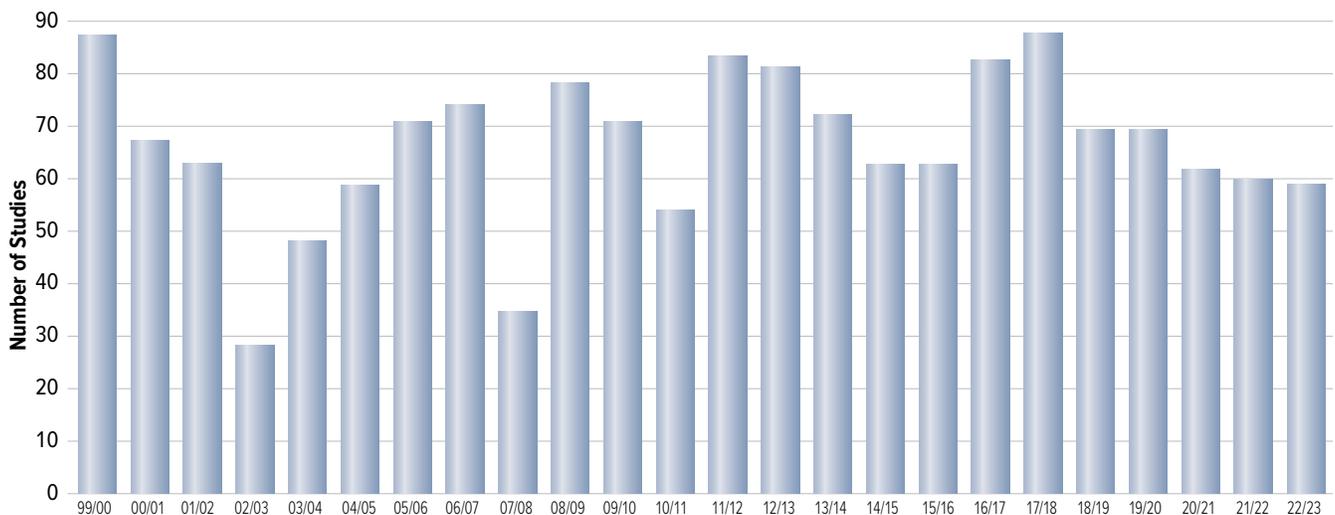
About FCMAT

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

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

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

Studies by Fiscal Year



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

FCMAT was created by Assembly Bill (AB) 1200 in 1991 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 of schools. The state's 2018-19 Budget Act provides for FCMAT to offer more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

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

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

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

- Lack of going concern designation.

As a result of the lack of going concern designation, FCMAT engaged and performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

Located in Shasta County, the Oak Run Elementary School District is governed by a five-member board and serves approximately 45 students in preschool through eighth grade at one school.

According to data from the California Department of Education (CDE), the district's unduplicated pupil percentage for 2021-22, which includes students who are English learners, foster youth, or who qualify for free or reduced-price meals, is 77%.

Because the district is small, the Shasta County Office of Education provides various business office functions including budget development, financial reporting, general accounting, payroll, and vendor payments. This is commonly known as providing the district with direct services. Ongoing district input is required for the county office to provide these services.

School districts are required to update and certify the status of their financial obligations two times per year. The statutory deadline for the first interim financial report is December 15, and a district's governing board must adopt the second interim report by March 15. The district's governing board approved both reports on April 29, 2024, long after the statutory deadlines. Both interim reports indicate a substantial financial decline since the adopted budget because of decreased average daily attendance stemming from oversight agencies' concerns about compliance with both independent study agreements and student immunization requirements. The potential disallowance of some reported attendance has caused a substantial decrease in projected revenue. The 2023-24 first interim report shows a significant decrease in the projected unrestricted ending fund balance, from \$490,678 in 2023-24, to \$137,674 in 2024-25, and to -\$225,347 in 2025-26. The projected deficits included in the first interim report are not sustainable and require the school district to act immediately to mitigate the risk of insolvency.

As a result of the declining fiscal outlook, the Shasta County Office of Education declared the district a lack of going concern on December 13, 2023. Subsequently, FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

FCMAT's analysis is based on the district's 2023-24 first interim report.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Oak Run Elementary School District on March 18, 2024, and a study team visited the county office of education on April 24, 2024 and the district on April 25, 2024 to conduct interviews, collect data and review documents. Following fieldwork, the FCMAT study team continued to review and analyze documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

Michelle Giacomini
FCMAT Deputy Executive Officer

Jeffrey B. Potter, 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

Dates of fieldwork: April 24 and 25, 2024

District: Oak Run Elementary School District

Summary

The county superintendent of schools designated the district a lack of going concern in December 2023. This is required if at any time during the school year the county superintendent determines that a school district may be unable to meet its financial obligations, as mandated by Education Code (EC) 42127.6. The lack of going concern designation was due to noncompliance with immunization requirements based on an audit by the Shasta County Health and Human Services Agency, which found that only 13 out of 30 students tested had proper immunization documents or valid medical exemptions. Other items were also reported.

A second audit, prepared by the county superintendent, found that the district is also out of compliance with independent study agreements, which means it faces a large decrease in allowable average daily attendance from adopted budget to the first interim report, resulting in a reduction of \$427,033 in local control funding formula (LCFF) revenues. FCMAT reviewed the district's board meeting agendas and minutes and found that the district has had significant turnover of board members in the last two years, and its front office staff are also new. The superintendent has been with the district for four years. The Shasta County Office of Education provides various business office functions including budget development, financial reporting, general accounting, payroll, and vendor payments. Ongoing district input is required for the county office to provide these services.

The district's management is responsible for maintaining the integrity of its systems, securing its assets, and presenting sound financial information based on current and accurate data so the board can make informed decisions, manage the budget, and maintain fiscal solvency.

The district consists of one school that serves a small number of students with a small, unrepresented staff. Given its size, any turnover in staff can disrupt the continuity of the district's plans and actions. Small districts commonly fail to cross-train staff, which often results in a steep learning curve for new employees.

This fiscal health risk analysis shows that the district is at high risk of insolvency and identifies weaknesses and areas of concern that have contributed to its fiscal distress. Significant risk factors include, but are not limited to, internal controls, budget development and monitoring, cash management, disclosures of salary increases, deficit spending, enrollment and attendance analysis, leadership and stability, processes and procedures, the unrestricted general fund balance, and reserves.

Because it is small and has few staff, the district lacks the systems and procedures needed to ensure segregation of duties (i.e., dividing duties between more than one employee) and oversight of business functions in areas such as accounts payable, payroll, human resources, accounts receivable, and purchasing. This could lead to inaccuracies, inefficiencies, and the possibility of fraud due to a lack of prevention and detection measures.

The district's 2023-24 first interim budget shows a decrease of \$427,033 in local control funding formula (LCFF) revenues when compared with the adopted budget and assumes that a similar reduction will continue in future years unless the district ensures that independent study agreements are corrected to meet audit and education code requirements. The district will continue deficit spending unless it corrects these compliance issues and can claim ADA for independent study, especially for students who are not immunized and/or are not able to physically come to school. The 2023-24 first interim budget includes significant deficit spending: \$258,147 in 2023-24, \$381,002 in 2024-25 and \$391,021 in 2025-26. The projected ending fund balances are \$723,644 in 2023-24, \$342,642 in 2024-25, and -\$48,379 in 2025-26.

In addition, the 2023-24 first interim report does not account for the contingent liability consisting of the potential penalties and reductions in revenue in addition to the ongoing LCFF reduction of \$427,033 per year. The penalties could be spread over eight years if the CDE determines that is feasible. The district risks losing local control unless it ensures that its independent study agreements comply with all regulations and adopts a board-approved plan to reduce or eliminate deficit spending to maintain 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.

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

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

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

Areas of High Risk

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

Budget and Fiscal Status

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

Material Weakness Questions

	Yes	No	N/A
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	✓	<input 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 address 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 Education Code Section 47604.32?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?.	<input type="checkbox"/>	✓	<input type="checkbox"/>
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?	✓	<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"/>
10.6	Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.2	Does the district have sufficient and available capital outlay and/or bond funds 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 uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainty 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 uncertainty, does the district’s multiyear financial 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?	✓	<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 error and are provided for information only.

1.	Annual Independent Audit Report	0.4%
2.	Budget Development and Adoption	2.9%
3.	Budget Monitoring and Updates	3.5%
4.	Cash Management	7.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.9%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.9%
9.	Employee Benefits	2.3%
10.	Enrollment and Attendance	2.0%
11.	Facilities	0.0%
12.	Fund Balance and Reserve for Economic Uncertainty	3.5%
13.	General Fund - Current Year	0.2%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	5.1%
16.	Leadership and Stability	2.7%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	1.0%
20.	Special Education	0.7%
Score		41.3%

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status:

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

1. Annual Independent Audit Report

	Yes	No	N/A
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district’s 2020-21 and 2021-22 audit reports did not identify any findings.</p> <p>The district’s 2022-23 audit report has not been completed. The fiscal impact to the district, if any, is unknown.</p>			
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.)	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district’s 2022-23 audit report was due to the Shasta County Superintendent of Schools, the State Controller’s Office and the California Department of Education by March 15, 2024, which was the deadline set by the latest State Controller’s Office extension for that audit. The audit has not been completed, and the district could not verify its status at the time of FCMAT’s fieldwork.</p>			
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district’s 2020-21 and 2021-22 audit reports did not identify any material weaknesses.</p> <p>The district’s 2022-23 audit report has not been completed.</p>			
1.4 Has the district corrected all reported 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 office of education instructions, and have been clearly articulated?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 2.2 Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?** ✓
- 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?** . . ✓
- 2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?** ✓

The district’s adopted budgets for 2021-22, 2022-23 and 2023-24 were all conditionally approved by the county superintendent because the county superintendent required revisions to the district’s local control and accountability plan (LCAP).
- 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)?** . . ✓

The district’s budget development process usually consists of the superintendent/principal working with the county office staff member assigned to provide direct services for the district. The district does not collect input from the community or its governing board.
- 2.7 Does the district budget and expend restricted funds before unrestricted funds?** ✓
- 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?** ✓

In interviews, employees indicated that the district includes projected carryover in the adopted budget when it lacks a plan to spend restricted funds before the end of the current fiscal year. This increases the likelihood that these funds will be both expended in the current year and budgeted in the following year.
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?** ✓
- 2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district’s unrestricted general fund?** ✓

The district lacks a documented policy or procedure for evaluating the proposed acceptance and potential multiyear impact of grants and other types of restricted funds.
- 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?** ✓

No evidence was provided to show that the district adheres to a budget calendar.

3. Budget Monitoring and Updates

	Yes	No	N/A
<p>3.1 Are actual revenues and expenses consistent with the most current budget? <input type="checkbox"/></p> <p>The district’s 2023-24 first interim report includes multiple instances in which actual revenues and expenses for the reporting period differ from projected totals, including unrestricted revenues, unrestricted salary and benefits, unrestricted leases, and unrestricted consultants.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<p>3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code 42142? <input checked="" type="checkbox"/></p>	<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 criteria and standards? <input type="checkbox"/></p> <p>Although some explanations regarding variances identified in the Standards and Criteria for Fiscal Solvency are clear and concise, other responses lack sufficient detail to explain a variance other than acknowledging that it exists.</p>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? <input type="checkbox"/></p> <p>The purchase order function in the district’s financial system is not used because the district is small. A manual purchase order is generated if requested by a vendor.</p>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>3.8 Does the district encumber and adjust encumbrances for salaries and benefits? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>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? <input type="checkbox"/></p> <p>At the time of FCMAT’s fieldwork in April 2024, the district’s governing board had not approved its 2023-24 first and second interim reports. Per the Education Code, these reports were due by December 15, 2023 and March 15, 2024, respectively. The reports were approved on April 29, 2024, a few days after FCMAT’s fieldwork.</p> <p>Prior year reports were submitted on time.</p>	<input type="checkbox"/>	✓	<input type="checkbox"/>

4. Cash Management

	Yes	No	N/A
<p>4.1 Are accounts held by the county treasurer reconciled with the district’s and county office of education’s reports monthly? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?**
- District staff indicated that the district has three local bank accounts. No evidence was provided to show that the bank accounts are reconciled monthly.
- 4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?**
- The district creates cash flow projections for the current year only. No cash flow projection is prepared for the subsequent fiscal year.
- 4.4 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?**
- The 2023-24 first interim report included a cash flow projection that showed the district’s general fund cash is sufficient to support its 2023-24 obligations, but it did not include a cash flow projection for the subsequent year. Without such a projection, the district can neither determine if it has sufficient cash to support its projected obligations nor can it develop a reasonable plan to address any cash flow needs.
- 4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?**
- The 2023-24 first interim report included a cash flow projection that showed the district’s general fund is sufficient to support its 2023-24 obligations, but it did not include a cash flow projection for the subsequent year. Without such a projection, the district can neither determine if it has sufficient cash to support its projected obligations nor develop a reasonable plan to address any cash flow needs.
- The cafeteria fund required an interfund transfer of \$13,982.37, which occurred in October 2023.
- 4.6 If interfund borrowing is occurring, does the district comply with Education Code 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? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5.3 Are all charters authorized by the district going concerns and not in fiscal distress? . . . | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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"/> | <input checked="" type="checkbox"/> |

6. Collective Bargaining Agreements

	Yes	No	N/A
6.1 Has the district settled with all its bargaining units for the past two fiscal years?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.2 Has the district settled with all its bargaining units for the current year?.	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Board minutes indicate that the salary schedules for all employees were modified in August 2023 and adopted in September 2023. Interviewees indicated that this included an increase of 3% for all salaries. Although the district has no collective bargaining groups and no collective bargaining occurs, it is required to prepare public disclosure documents, and this should have been done for salary increases. For the 3% increase, the district did not conduct a public disclosure that outlines its quantitative effects on the multiyear financial projection.</p>			
6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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)?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>FCMAT searched for but could find no public disclosure form or other evidence that the district complied with the public disclosure requirements for the last salary increase that was approved in September 2023.</p>			
6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>FCMAT could find no evidence that the district complied with the public disclosure requirements for the last salary increase approved in September 2023. FCMAT could not find evidence of a public disclosure form; thus, no signatures of the superintendent and CBO were found..</p>			
6.9 Is the governing board’s action consistent with the superintendent’s and CBO’s certification?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>See the response to question 6.8 above for information on this item.</p>			

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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district lacks a plan to reduce contributions/transfers from the unrestricted general fund to restricted programs and/or funds.			
7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Deficit Spending (Unrestricted General Fund)

	Yes	No	N/A
8.1 Is the district avoiding deficit spending in the current fiscal year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
According to the 2023-24 first interim report, expenditures are expected to exceed revenues by \$231,283 in the unrestricted general fund.			
8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The 2023-24 first interim report projects deficit spending of \$353,003 in 2024-25 and \$363,021 in 2025-26.			
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 checked="" type="checkbox"/>	<input type="checkbox"/>
FCMAT did not receive any documents that indicate the district has a board-approved plan to reduce or eliminate anticipated deficit spending in the unrestricted general fund.			
The district projected deficit spending in its 2021-22 and 2023-24 first interim reports. Deficit spending was not projected in the 2022-23 first interim report.			
8.4 Has the district decreased deficit spending over the past two fiscal years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

9. Employee Benefits

	Yes	No	N/A
9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district has not completed an actuarial valuation for its 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?** ✓

No documents were provided showing 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?** ✓

In interviews, employees indicated that the district has not conducted a benefits eligibility review within the last five years.
- 9.5 Does the district track, reconcile and report employees’ compensated leave balances?** . . . ✓

No documents were provided showing accruals and reductions of leave balances.

10. Enrollment and Attendance

- | | Yes | No | N/A |
|---|-----|----|-----|
| <p>10.1 Has the district’s enrollment been increasing or remained stable for the current and two prior years? <input type="checkbox"/> ✓ <input type="checkbox"/></p> <p>As shown in Ed-Data (www.ed-data.org), the district’s enrollment decreased from 54 students in 2021-22 to 45 students in 2022-23. The district’s projected enrollment as of the 2023-24 first interim report remained stable at 45 students.</p> | | | |
| <p>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)? ✓ <input type="checkbox"/> <input type="checkbox"/></p> | | | |
| <p>10.3 Does the district track historical enrollment and ADA data to establish future trends? . . . ✓ <input type="checkbox"/> <input type="checkbox"/></p> | | | |
| <p>10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels? <input type="checkbox"/> ✓ <input type="checkbox"/></p> <p>Although the school appeared to maintain an accurate record of enrollment and attendance, adjustments were needed because of a lack of compliance with independent study and immunization requirements. More specifically, only 13 of the 30 students sampled had proper immunization documentation on file or proof of a valid medical exemption. Also, the district’s independent study master agreements must comply with the Education Code, and all work products must comply with district board policy. To claim ADA and receive funding from the State of California, this documentation needs to be in place for each student claimed. The CDE can assess a penalty for the lack of documentation up to the amount of funding claimed for these pupils. The county office of education and the district were working on the amount of the penalty at the time of this report.</p> <p>The California Department of Education will grant up to eight years for repayment of a prior year ADA disallowance, which the county office plans to request once the penalty amount is final.</p> | | | |
| <p>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? ✓ <input type="checkbox"/> <input type="checkbox"/></p> | | | |

10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	□	□
10.7	Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?	✓	□	□
10.8	Has the district planned for enrollment losses to charter schools?	□	□	✓
10.9	Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?	□	□	✓
10.10	Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?	□	□	✓

11. Facilities

	Yes	No	N/A	
11.1	If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	□	□	✓
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	□	□
11.3	Does the district properly track and account for facility-related projects?	✓	□	□
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	□	□	✓
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	□	□
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	✓	□	□
11.7	If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	□	□	✓
11.8	Does the district have a long-range facilities master plan that reflects its current and projected facility needs?	□	✓	□

The district lacks a 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?	□	✓	□

The 2023-24 first interim report indicates the district will meet the required minimum reserve of \$84,000 for economic uncertainties in 2024-25. However, the report projects the district will be unable to meet the required reserve in 2025-26 and shows a projected ending fund balance of -\$48,379.

- 12.3 If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve?**
- The district lacks a board-approved plan to restore the minimum reserve for economic uncertainties.
- 12.4 Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?**
- The 2023-24 first interim report projects declines in the unrestricted ending fund balance, from \$490,678 in 2023-24, to \$137,674 in 2024-25, and to -\$225,347 in 2025-26.
- 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?**
- Documents related to student immunizations and to independent study agreements may be out of compliance with state requirements. While the district is disputing these findings, state apportionment revenue may be significantly affected in subsequent fiscal years by a disallowance of some reported ADA in the current and prior years. The district's 2023-24 first interim report indicates that the penalty could be approximately \$1 million, payable over eight years as a reduction in state apportionment revenue. If the penalty is imposed, the district lacks a plan to reduce expenditures to accommodate the significant reduction in revenue. Without an immediate plan to address the potential revenue shortage, the district faces economic distress, including the potential for fiscal insolvency and loss of local control.
- (See item 10.4 for detail on this lack of compliance)

13. General Fund – Current Year

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.2 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.4 If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district does not charge the maximum allowable indirect costs to its special education and food service programs. | | | |

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"/>
The district only recently received access to the Escape financial system. Training by county office staff is ongoing.			
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 county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>	✓
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?	<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"/>
15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
• Accounts payable (AP)	<input type="checkbox"/>	✓	<input type="checkbox"/>
Although the district has adequate internal controls for generating and approving warrants, it has insufficient controls in the segregation of duties. The same user who creates new vendors in the accounts payable system can also pay that vendor, which is an internal control weakness.			
• Accounts receivable (AR)	<input type="checkbox"/>	✓	<input type="checkbox"/>
Internal controls for cash are insufficient. Neither the school nor the county office requires more than one employee to count or transport cash, which increases the risk of misappropriation. In addition, the funds are not stored in tamper-evident bags after being counted.			
• Purchasing and contracts.	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district lacks a sufficient segregation of duties in its purchasing process: it allows one position to create and pay a new vendor. Cash controls are also weak because they do not include two individuals being present when cash is counted and transported.			

- **Payroll** ✓
 The payroll and human resource functions are handled by one position, allowing the creation and payment of a new employee without an adequate segregation of duties. Although both the fiscal and administrative staff review payroll payments before they are issued, a weakness remains in internal controls when any one position administers key functions for both human resources and payroll.
- **Human resources (i.e., duties relative to position control and payroll processes).** ✓
 See the response to the Payroll item above.
- 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?** ✓
 In interviews, employees indicated that the district does not have processes and procedures to discourage and detect fraud.
- 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?** ✓
 Employees indicated that the district does not have a process for collecting and following up on reports of possible fraud.
- 15.9 Does the district have an internal audit process?** ✓
 The district has no 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The superintendent/principal is the district's only administrator. No evidence was provided to show that the superintendent/principal receives routine training on financial management and the budget. The position has online access to the district's financial system but relies on county office staff to answer all budget and financial questions rather than generating this information at the school. | | | |
| 16.5 Does the governing board adopt and revise policies and administrative regulations annually? <input type="checkbox"/> | | ✓ | <input type="checkbox"/> |
| No evidence was provided to show that the district has a process for reviewing and revising board policies and administrative regulations annually. | | | |

- 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?** ✓

The district does not update its board policies or administrative regulations often, nor does it have a process or procedure for communicating any changes to staff.
- 16.7 Do all board members attend training on the budget and governance at least every two years?** ✓

No evidence was provided to show that all board members attend training on budget and governance at least every two years.
- 16.8 Is the superintendent’s evaluation performed according to the terms of the contract?** . . . ✓

17. Multiyear Projections

- | | Yes | No | N/A |
|---|--------------------------|--------------------------|--------------------------|
| 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.3 Does the district use its most current multiyear projection in making financial decisions? . . . | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| <p>The district does not reference its multiyear financial projection (MYFP) when making financial decisions. The county office prepares the district’s MYFP at each required reporting period, but the district does not request updates between reporting periods.</p> | | | |
| 17.4 If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |

18. Non-Voter-Approved Debt and Risk Management

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

19. Position Control

	Yes	No	N/A
19.1 Does the district account for all positions and costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district does not reconcile budget, payroll, and position control, and no evidence was provided to show that the district has recently performed a reconciliation.			
19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.6 Do managers and staff responsible for the district’s human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

20. Special Education

	Yes	No	N/A
20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district does not routinely budget or charge the full allowable indirect cost rate to the special education resource. This results in an undervaluation of the true cost of the program.			
20.5 Is the district’s contribution rate to special education at or below the statewide average contribution rate?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district’s 2022-23 special education identification rate of 20% is higher than the countywide rate of 13.2% and the statewide rate of 13%, possibly due to the district’s small size.			
20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Risk Score, 20 numbered sections only:

41.3%

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors:

High

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

Appendix

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 Oak Run Elementary School District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions, FCMAT will study the Client’s fiscal health because the Client self-certified its 2023-2024 first interim financial report as negative in accordance with EC 42130 and 42131, and 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.

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3. Exit Meeting

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

4. Exit Letter

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

5. Draft Report

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

6. Final Report

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

7. Board Presentation

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

3. PROJECT PERSONNEL

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

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

4. PROJECT COSTS

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

5. RESPONSIBILITIES OF THE CLIENT

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

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

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

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

6. PROJECT SCHEDULE

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

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

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

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

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

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

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

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

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

8. INDEPENDENT CONTRACTOR

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

9. RECORDS

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

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

10. CONTACT WITH PUPILS

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

11. INSURANCE

During the term of this Agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance 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

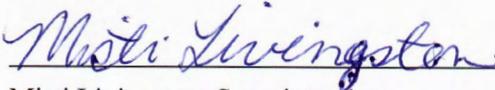
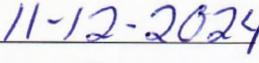
The Client’s contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT’s process requires that FCMAT send information, document request lists, draft report or final 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: Misti Livingston
Telephone: (530) 472-3240
Email: mlivingston@oakrunschool.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:

 
Misti Livingston, Superintendent Date
Oak Run Elementary School District

For FCMAT:

Michael H. Fine  Digitally signed by Michael H. Fine
Date: 2024.03.18 15:39:27 -07'00'

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