

Plumas Unified School District (PUSD)

Conditions Leading to Insolvency

August 18, 2025

Organized in order of FCMAT [*Indicators of Risk or Potential Insolvency*](#) (with a summary in the second section).

1. Inattention to Annual Independent Audit.

- a. Lack of timely audits.
 - i. Audit for 2023-24 was finished five months late (May 2025) and was presented to the board at the next board meeting.
 - ii. Audit for 2022-23 was finished eight months late (August 2024) and not presented to the board until March 5, 2025.
 - iii. Audit for 2021-22 was finished seven months late (in July 2023) and presented to the board on April 17, 2024, and states that audit findings would be appealed and that some were related to the Dixie Fire.
- b. Significant findings, repeat findings.

2. Inadequate Budget Development and Adoption.

- a. Unreasonable and/or unclear budget assumptions.
 - 1. Due to not understanding the LCFF Calculator, the district made a material (\$3M) error in the LCFF calculation during budget for 2023-24.
- b. Reliance solely on prior-year rollover budget method.
 - 1. The district did not develop a budget other than rollover method.
- c. Failure to use position control data.
 - i. The district did not have a position control.

3. Insufficient Budget Monitoring and Updates.

- a. The most current budget was not consistent with actual revenues and expenditures.
 - i. The district was inaccurately projecting revenues and expenditures that did not align with actuals to date.
- b. Failure to regularly reconcile balance sheet accounts in the general ledger.
 - i. The last financial audit was issued with a qualified opinion because the payables 95xx and receivables 93xx have not been reconciled for years and the balances could not be verified.

4. Inadequate Cash Management.

- a. **ALL but one** item listed in the FCMAT Indicators for cash management were true for PUSD. The one item not true was because of a last minute decision to pay back the internal borrowing on June 30, 2025, after the emergency apportionment was approved.
 - i. Failure to reconcile county treasurer and bank (cash and investment) accounts monthly.
 - ii. Failure to project cash flows for the current fiscal year and the subsequent year.
 - 1. District did not project for the subsequent year.
 - iii. Lack of a reasonable plan to address cash flow needs.
 - 1. The district borrowed from funds identified as bond funds.
 - iv. Lack of communication to board about the LEA's cash position (with a clear distinction between cash and fund balances).
 - 1. Cash flow presented to the board at first interim report 2024-25 was inaccurate and the person that built the projection was aware the report was incorrect.
 - v. Insufficient cash resources in other funds to meet current and projected obligations in those funds.
 - 1. Cash was borrowed from other funds that exceeded budgeted amounts for those funds for the year.
 - vi. Failure to comply with Education Code requirements when interfund borrowing occurs.
 - 1. District borrowed more than 75% of available cash for internal borrowing.

5. Mismanaged Collective Bargaining Agreements.

- a. Failure to consider and adequately quantify the fiscal impact of collective bargaining agreements.
 - i. Because the budgets were incorrect, it appeared they could afford the settlements.
- b. Settlements above funded cost of living adjustment.
 - i. 9% in 2022, 4% in 2023, and 2.5% in 2024 (the 2022 and 2023 settlements were negotiated in one year).
 - ii. Large increases in caps on health and welfare costs were provided.

6. Deficit Spending.

- a. The severity of the deficit spending was masked by budgets that didn't align with actuals, until unaudited actuals in September 2024, when everything changed.

7. Inadequate Fund Balance and Reserve for Economic Uncertainty.

- a. **ALL** items listed in the FCMAT Indicators for fund balance and reserves were true for PUSD.
 - i. Failure to accurately estimate the ending fund balance.
 - ii. Failure to maintain the minimum reserve for economic uncertainty in the current and two subsequent years.
 - iii. Lack of a board-approved plan to restore the minimum reserve for economic uncertainty, if applicable.
 - iv. Failure to include assigned or committed reserves above the recommended reserve level in the unrestricted fund balance when one-time costs or unfunded or contingent liabilities exist.
 - v. Unstable or decreasing projected unrestricted fund balance.

8. Mismanaged General Fund – Current Year.

- a. Lack of control or monitoring of total compensation costs.
 - i. The district, without a position control, had no idea of the total costs for compensation or number of employees.
- b. Failure to use restricted funds fully within required timelines.
 - i. The district had a history of taking grant funding for cash purposes, but not to abide by grant requirements or to complete a program.

9. Nonintegrated Information Systems and Data Management.

- a. Failure to use systems to provide the financial and personnel data needed to make informed decisions.
 - i. The financial system is capable of position control feature, but it was not used.
- b. Inaccurate data consistently reported to CALPADS and other state agencies.
 - i. Data reported for teacher college degree completion was incorrect.
 - ii. Possible that truancy rates were incorrect as well.
 - iii. Serious concerns about data quality.

10. Ineffective Internal Controls and Fraud Prevention.

- a. Last several audits contain findings related to internal controls.

11. Weaknesses in Leadership and Stability.

- a. Turnover in the CBO and superintendent position.
- b. Toxic culture created by the former superintendent.
- c. Micro-management and control on the flow of information by the former superintendent coupled with a demand to make the finances look good.

12. Inadequate Multiyear Projections.

- a. **ALL** items listed in the FCMAT Indicators for multiyear projects were true for PUSD due to the fact that they were intentionally trying to make the data look better than it was.

13. Lack of Position Control.

- a. **ALL** items listed in the FCMAT Indicators for position control were true for PUSD.
 - i. Incomplete accounting of all positions and costs.
 - ii. Failure to analyze and/or adjust staffing based on staffing ratios and enrollment.
 - iii. Failure to regularly reconcile budget, payroll and position control.
 - iv. Failure to identify budget sources for new positions before board approval.
 - v. Failure to obtain board approval before posting new positions and extra assignments.
 - vi. Failure to adopt and/or follow staffing ratios for certificated, classified and administrative positions.
 - vii. Lack of regular meetings among human resources, payroll and budget staff to discuss issues and improve processes.

Analysis of Conditions Leading to Insolvency (listed above)

At the district level:

- The timing of the audits (late completion, even later presentation to the board) provides for no way to address the findings, which become repeat year after year. Also, it provides for unverified beginning balances for the district.
- Not understanding the LCFF formula or correctly using the FCMAT LCFF Calculator was detrimental to the district.
- The direction of the superintendent to make the budgets appear better than they were caused problems for the district as decisions were made based on significantly inaccurate figures.
 - This also led to collective bargaining settlements that were not affordable; these settlements were based on the purposefully inaccurate/manipulated budgets.
- Inadequate cash management and failure to accurately predict cash flow needs.
- Significant deficit spending eroding fund balance and cash.
- Lack of position control; no idea who was being charged to which program causing cost overruns, no staffing ratios to follow, no idea of total cost of staff, including total compensation.

At the oversight level:

- Without access to the district's financial system, the California Department of Education (CDE) relied on the erroneous financial reports and did not have a procedure in place to validate the information.
- CDE should have intervened in the late audits and even later presentations to the board.
- CDE attempted to support the district with their lack of understanding of the LCFF calculation.
- CDE was unable to fully monitor cash due to having to rely solely on the reports provided by the district.
- CDE had inadequate procedures to verify if position control was present or not.