



CSIS California School Information Services

Yosemite Unified School District

Fiscal and Business Services Review

February 7, 2018

Michael H. Fine
Chief Executive Officer







CSIS California School Information Services

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Cecelia Lynn Greenberg, Ed.D., Superintendent
Yosemite Unified School District
50200 Road 427
Oakhurst, CA 93644

Dear Superintendent Greenberg:

In September 2017, the Yosemite Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to perform the following:

- Review the district's 2017-18 general fund budget and develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. The MYFP will be a snapshot in time of the current financial status and will use the district's 2017-18 adopted budget as the baseline. The MYFP will be developed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.
- Conduct an organizational and staffing review of the district's Business Department and make recommendations for staffing improvements, if any.
- Review operational processes and procedures for the Business Department and make recommendations for improved efficiency, if any.

This report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend thanks to all the staff of the Yosemite Unified School District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

FCMAT

Michael H. Fine, Chief Executive Officer

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About FCMAT

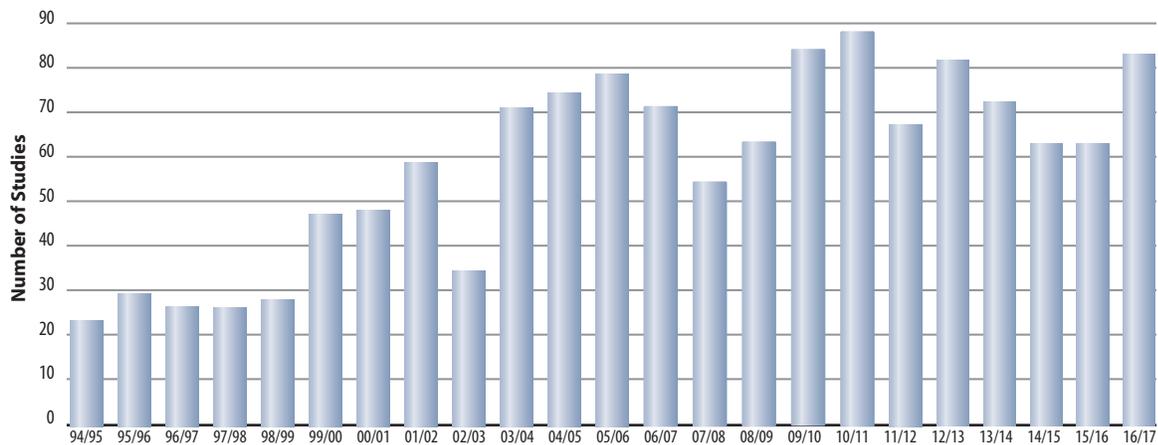
FCMAT’s primary mission is to assist California’s local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related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

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

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

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide 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 (SB) 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform more than 1,000 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

Located in Madera County, the Yosemite Unified School District serves approximately 1,700 students in kindergarten through 12th grade. The district is composed of two K-8 schools, Coarsegold Elementary and Rivergold Elementary; Yosemite High School (9-12); several 9-12 alternative sites, including Ahwahnee High, Campbell High, Evergreen High, Foothill High, Raymond Granite; one 5-8 alternative school, Meadowbrook; and Yosemite Falls Education Center (K-12). Two charter schools, Mountain Home (K-8) and Glacier High (9-12) have been authorized, serving approximately 450 students.

In May 2017, the district hired a new superintendent/CBO who raised concerns about the district's fiscal condition and the need for an independent review of the business office organizational structure and processes/procedures. The district deficit spent in the 2016-17 and is projected to spend in 2017-18 without expenditure reductions, leading to serious fiscal concerns.

In September 2017, the district requested that FCMAT review the district's 2017-18 general fund budget, develop a multiyear financial projection, conduct an organizational and staffing review of the business office and provide recommendations for staffing improvements and improved efficiency.

Study and Report Guidelines

FCMAT visited the district on October 24, 25, and 26, 2017 to conduct interviews, collect data and review documents. Because the district faced organizational and capacity issues, including an adopted budget that had not been updated, FCMAT and the district decided to wait until the 2017-18 budget for the first interim report could be updated, and to base the multiyear financial projection on that updated data. FCMAT visited the district again on November 13 and 14, 2017 to further assist in the budget update, inform the board of trustees of progress and answer any other questions about the work FCMAT was doing. Additional off-site work occurred between the visits to the district as well as during the weeks that followed.

This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Multiyear Financial Projections
- Organizational Structure
- Organizational Culture and Communications
- Workplace Environment
- Internal Controls
- Charter School Fiscal Oversight
- Appendix

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 study team was composed of the following members:

Michelle Giacomini
FCMAT Deputy Executive Officer
Petaluma, CA

Linda Grundhoffer
FCMAT Consultant
Danville, CA

Debbie Riedmiller
FCMAT Intervention Specialist
Bakersfield, CA

Leonel Martínez
FCMAT Technical Writer
Bakersfield, CA

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

One of FCMAT's main objectives in this study was to review and validate the district's general fund budget. The team reviewed numerous documents and financial reports, including the district's annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical financial information pertinent to the study. The independent MYFP was developed based on the updated 2017-18 budget for the first interim report as well as additional information from the district's financial system and district staff.

Because of many staffing changes in the district office, the 2017-18 budget had not been updated since adoption; therefore, FCMAT waited for the district to compile the first interim financial report as the baseline for the development of an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The Madera County Superintendent of Schools conditionally approved the 2017-18 budget because of concerns about ending 2019-20 without a 3% reserve. That budget reflected deficit spending over \$1.3 million during 2017-18, with deficit spending increasing in the subsequent years. Although the specifics were yet to be identified, cuts of \$670,000 by March 15, 2018 and \$170,000 by March 15, 2019 were shown as necessary in addition to significant decreases in services and supplies to meet the 3% reserve in the second subsequent year.

The projections worsened from budget adoption to first interim in 2017-18, and the necessary estimated expenditure reductions increased to stop deficit spending and maintain a 3% reserve. FCMAT did not include any potential budget cuts in the current or subsequent years that had not specifically been approved by the governing board, leading to the increased deficit in the updated MYFP. When FCMAT was writing this report, the district had certified the 2017-18 first interim report as qualified, but the county office had yet to review the report. Whether that certification was agreed to or changed had yet to be determined. Regardless of the county office's certification, additional Assembly Bill (AB) 1200 and/or AB 2756 steps will be triggered by the district-qualified certification.

Many factors have contributed to the district's budget crisis, including an overall decline in average daily attendance (ADA) since 2013-14, increased payments for outstanding certificates of participation (COPs) that have included only interest until this year, ongoing deficit spending, and lack of expenditure reductions as overall ongoing costs increase.

Several changes have been prompted by the high turnover in district administration and the Business Services Department as well as concerns over the district's inability to identify and follow through with the steps necessary to make the cuts needed to eliminate deficit spending. The county office and district have met several times, and the county office began attending district board meetings. The county office has also paid for technical assistance to train and assist the business office. Job role changes have added to concerns and raise the question of whether the district can continue to function and make the decisions necessary to remain fiscally solvent without additional intervention by the county office. The district has also been dealing with a Federal Program Monitoring (FPM) audit and annual independent audit extension request, which are made more difficult by the fact that it has a new administration with no real history of how the district arrived at its situation.

As stated earlier, the district updated its 2017-18 adopted budget for first interim, and FCMAT used this document to prepare an independent multiyear financial projection. Projected deficit spending increased since the adopted budget, and the district will need to make significant

cuts to maintain the required 3% reserve in both 2018-19 and 2019-20. Because the 2017-18 adopted budget was built with general information rather than specific details (e.g., it included potential salary increases that were not ratified by the board and potential unidentified expenditure reductions), the first interim was a more effective base to build the projections.

The following is a summary of the general fund based on the district's 2017-18 first interim report, which was used as the basis for FCMAT's MYFP.

	Unrestricted	Restricted	Totals
Net Beginning Balance	\$2,281,801	\$638,091	\$2,919,892
Total Revenues	\$16,540,635	\$2,164,940	\$18,705,575
Total Expenditures	\$14,183,286	\$5,492,983	\$19,676,269
Total Other Financing Sources/Uses	(\$3,098,032)	\$2,939,519	(\$158,513)
Ending Fund Balance	\$1,541,118	\$249,567	\$1,790,685
Net Increase/Decrease in Fund Balance	(\$740,683)	(\$388,524)	(\$1,129,207)

FCMAT also conducted an organizational and staffing study to provide the district governing board and administration with an independent and external review of the Business Services Department. In doing so, FCMAT compared the department's staffing with that of similar districts and industry standards using basic theories of organizational structure, including span of control, chain of command, and line and staff authority.

The district should add staffing to the Business Services Department so that adequate attention can occur on financial operations. Operational processes and procedures in business were lacking or nonexistent in significant areas. These deficiencies did not begin with the current administration, but have existed for some time. Many put the district at risk because of weak or nonexistent internal controls.

Subsequent Events:

The Madera County Superintendent of Schools reviewed the district's 2017-18 first interim report, including district-provided information such as the multiyear projection, budget assumptions, and the qualified self-certification. As a result, the county office concurred with the self-certification since projections indicate that the district "may not be able to meet its financial obligations for the current fiscal year or subsequent two years." However, the county office considered the district a lack of going concern because its fiscal health is suspect, and it is deemed to be at risk of insolvency for the following reasons:

- The county office lacks confidence that the district can identify and implement the necessary itemized and detailed budget reductions in time to meet statutory deadlines since a plan of proposed budget cuts has not been submitted to the board of trustees for discussion or consideration.
- Business personnel lack the capacity to identify budget cuts, keep the budget current, and follow statutory guidelines for staff layoff.
- If the board does not approve adequate budget cuts in time to meet the legal requirements for notification for certificated layoffs by March 15, 2018, the district will likely deplete its cash balances by October 2018.
- The Business Services Department lacks the capacity to complete ongoing tasks without considering the extra pressures and demands of fiscal solvency issues as well as additional audits. Numerous key positions are open and filled with interim personnel.

- Administrative positions (principals and directors) have experienced high turnover. Some of those positions are now filled, but many vacancies still exist.
- Internal control procedures are lacking, putting the district at risk. Cash is not deposited in timely manner, cash levels in funds are not monitored, site staffs lack personnel authorized to sign checks and make decisions, and bank reconciliations are not completed, just to name a few.
- The amount of external support needed to train staff and complete necessary reporting to both the county and state is not sustainable or manageable. The district lacks the capacity to perform daily work, and overall supervision is lacking.

Subsequently, the county office changed the district's first interim report certification to negative and assigned a fiscal advisor to work with staff to analyze and improve the district's financial condition and perform any or all duties required of the county superintendent of schools. The fiscal advisor will retain full stay and rescind authority and shall continue until the district can attain a qualified financial status.

Findings and Recommendations

Multiyear Financial Projections

Multiyear financial projections are a fiscal-planning method that allows the board and district to make budget decisions that strategically address current and future challenges. Assembly Bill (AB) 1200 and AB 2756 require multiyear financial projections, and they are a part of the adoption budget and interim reporting process.

In June 2004, AB 2756 (Daucher) was passed and signed into law on an urgency basis. This legislation made substantive changes to the financial accountability and oversight processes used to monitor the fiscal position of school districts and county offices of education. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI), county offices of education and FCMAT and their ability to intervene during fiscal crises.

FCMAT reviewed the district's revenue and expenditure trends during recent years, used industry-standard variables provided by School Services of California Financial Dartboard and based its projection on the district's 2017-18 first interim budget for the current and two subsequent fiscal years. Any forecast of financial data has inherent limitations because calculations are based on certain assumptions and criteria, including enrollment trends, cost-of-living increases, forecasts of costs for utilities, fuel and other consumables, and local, state and national economic conditions. Therefore, the projection should be viewed as a trend based on certain criteria and assumptions rather than a prediction of exact numbers.

Multiyear financial projections can serve as the basis for more informed decisions and provide the ability to forecast the fiscal effects of decisions, but they should be updated at least at each interim financial reporting period and in preparation for negotiations. When developing an MYFP, attention is focused on the district's ability to meet its required reserve for economic uncertainty and achieve a positive unappropriated fund balance. The district's deficit spending trends indicate that it needs to increase revenue, decrease expenditures, or both to maintain a positive unappropriated fund balance. When the unappropriated fund balance is negative, it represents the amount by which budgeted expenditures must be reduced or revenues increased to meet the reserve requirements in accordance with AB 1200.

California school districts must continue to plan for the slowing of funding growth. The largest funding increases from Local Control Funding Formula (LCFF) implementation are from prior fiscal years, and state revenue growth has slowed. The approval of the increased income tax extension (Proposition 55) by California voters will continue to support state revenues through 2030, but the revenue is expected to be volatile, and there is uncertainty about how much will be generated.

The district faces its own specific set of financial risk factors based on reserve levels, enrollment trends, employee compensation, degree of revenue volatility and various other local and statewide factors and must continue to plan accordingly to meet ongoing academic and program objectives while maintaining its fiscal solvency.

In such an uncertain environment, all districts should strive to maintain fiscal solvency and protect the integrity of educational programs by performing the following:

- Maintaining adequate reserves to allow for unanticipated circumstances (with the adequate level based on each LEA's unique situational assessment).
- Maintaining fiscal flexibility by limiting commitments to future increased expenditures based on projections of future revenue growth, and/or establishing contingencies that allow expenditure plans to be changed as needed.

Budget Assumptions for 2017-18 & MYFP

Districts are advised to use the FCMAT LCFF Calculator and the planning factors from the agencies/sources listed below in developing multiyear financial projections (MYFPs).

The following key planning factors and budget assumptions used to project the 2017-18 budget and MYFP are based on the latest information available.

Planning Factor	2017-18	2018-19	2019-20
Statutory COLA (DOF)	1.56%	2.15%	2.35%
LCFF Gap Funding Percentage (DOF)	43.19%	66.12%	64.92%
California CPI	3.42%	3.35%	3.02%
Interest Rate for Ten-Year Treasuries	2.47%	2.66%	2.78%
California Lottery, Unrestricted per ADA	\$146	\$146	\$146
California Lottery, Restricted per ADA (Prop 20)	\$48	\$48	\$48
Mandate Block Grant (K-8), per ADA	\$30.34	\$30.34	\$30.34
Mandate Block Grant (9-12), per ADA	\$58.25	\$58.25	\$58.25
One-Time Discretionary Funds per ADA	\$147	0	0
CalPERS Employer Rate (projected)	15.531%	18.1%	20.8%
CalSTRS Employer Rate (statutory)	14.43%	16.28%	18.13%
Step and Column, Certificated	1.50%	1.50%	1.50%
Step and Column, Classified	1.50%	1.50%	1.50%

When a school district expends more revenue than it receives in a fiscal year, it is deficit spending. When this happens year over year, it is known as a structural or operating deficit. Left unresolved, the structural deficit will deplete the district's reserves and result in a negative fund balance. In a worst-case scenario, the district will run out of cash and become fiscally insolvent. FCMAT's MYFP as of the district's 2017-18 first interim indicates that the district may meet its reserve requirement in the current year, but not the two subsequent years. The district's financial solvency is at risk without a detailed multiyear financial recovery plan to strategically increase revenue and/or reduce expenditures and cease deficit spending.

The following table summarizes the projected deficit spending from 2017-18 through 2019-20 in the unrestricted general fund based on FCMAT's MYFP:

Name	Object Code	2017-18	2018-19	2019-20
REVENUES				
LCFF/State Aid	8010-8090	15,687,949	16,084,898	16,506,521
Federal Revenues	8100-8299	67,000	60,000	60,000
Other State Revenues	8300-8599	557,818	334,750	342,617
Other Local Revenues	8600-8799	227,868	200,144	201,525
TOTAL REVENUES		16,540,635	16,679,792	17,110,663
EXPENDITURES				
Certificated Salaries	1000-1999	5,955,660	6,044,995	6,135,670
Classified Salaries	2000-2999	2,609,455	2,648,597	2,688,326
Employee Benefits	3000-3999	\$2,943,495	\$3,257,704	\$3,540,448
Books and Supplies	4000-4999	488,625	504,994	520,245
Services and Other Operating	5000-5899	1,778,214	1,837,785	1,893,286
Capital Outlay	6000-6599	14,000	0	0
Other Outgo	7100-7299	334,469	395,008	466,623
Direct Support/Indirect Costs	7300-7399	(222,279)	(176,623)	(205,623)
Debt Service	7400-7499	281,646	409,287	482,433
TOTAL EXPENDITURES		14,183,286	14,921,747	15,521,407
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES		2,357,349	1,758,045	1,589,256
OTHER FINANCING SOURCES/USES				
Interfund Transfers In	8910-8929	0	0	0
Interfund Transfers Out	7610-7629	(158,513)	(53,874)	(53,874)
All Other Financing Sources	8930-8979			
All Other Financing Uses	7630-7699			
Contributions	8980-8999	(2,939,519)	(3,137,993)	(3,332,760)
TOTAL OTHER FINANCING SOURCES/USES		(3,098,032)	(3,191,867)	(3,386,634)
NET INCREASE (DECREASE IN FUND BALANCE)		(740,683)	(1,433,821)	(1,797,378)

If a district cannot meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district governing board and the SPI. The county office of education must follow Education Code Section 42127.6 when assisting a school district in this situation. If a district does not maintain its required reserve for economic uncertainty, the MYFP is the primary tool used in helping the county and district develop a plan to regain fiscal solvency and restore the required reserve.

If it is determined that a school district has insufficient funds to meet its current obligations, an emergency apportionment loan can be requested from the state. Emergency apportionment loans are provided only through a legislative appropriation that involves various lengthy and complicated steps and preparation by the district and county office. The most effective way for the district to avoid such intervention is to implement a financial plan that identifies revenue enhancements and/or expenditure reductions to eliminate deficit spending.

Districts can file three certifications. A positive certification is assigned when a district will meet its financial obligations for the current and two subsequent years. A qualified certification is assigned when a district may not meet its financial obligations for the current or two subsequent

years. A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year, or for the subsequent fiscal year. Yosemite Unified has filed a qualified certification for the 2017-18 first interim financial report.

The district should ensure the budget is realistic, updated based on the latest known information, and make certain that multiyear financial projections are routinely prepared, detailed and updated with the most current known factors. When FCMAT began this review in October 2017, the 2017-18 budget had not been updated other than between specific expenditure categories so budgets would be placed in accounts that would allow purchase orders to be processed. Prior year carryover and deferred revenue had not been budgeted, apportionments had not been calculated based on 2016-17 actual amounts and/or 2017-18 year-to-date amounts and actual staffing costs were not compared to the budgeted amount. The district hired a consultant to work with the new executive director to update the budget, assist with the Federal Program Monitoring (FPM) and independent audit, and generate the first interim report. The county office agreed to pay for one-third of the consultant cost, up to \$10,000. FCMAT agreed to generate the LCFF calculation that would be used to update unrestricted general fund revenues in the current budget and to develop an MYFP once the budget was updated.

Enrollment and Average Daily Attendance (ADA) Projections

Accurate enrollment tracking and analysis of ADA are essential in providing a solid foundation for budget planning, and projecting both amounts into future years is a core component of any multiyear financial projection. Because much of the district's funding is based on the total number of student attendance days, monitoring and projecting student enrollment and attendance are crucial. When enrollment and related ADA increase or decline, the district must consider the budgetary effects on instructional and other staffing, as well as other operating expenses, and plan accordingly. Enrollment projections should be prepared frequently and with sufficient detail by grade level to monitor and project class sizes in subsequent years.

When a district is declining in enrollment and related ADA, it must exercise extreme caution regarding strategic decisions that will affect the budget, such as negotiations with collective bargaining units, staffing ratios and deficit spending. The district must perform its due diligence when developing and maintaining its budget to sustain future financial stability.

Historical enrollment and attendance patterns help identify potential changes in grade level enrollment in future years. The primary source of funding for LEAs comes from the LCFF, which contains numerous calculations, and many of these are based on student enrollment and ADA by grade level.

FCMAT reviewed the district's enrollment as of the October California Basic Educational Data System (CBEDS) student enrollment counts and April period 2 (P-2) ADA actual data for 2013-14 through 2016-17 in its projections. The enrollment counts as of October 1, 2017 were then used, estimating the average enrollment to ADA ratios as in previous years.

Except for 2016-17, the district has been declining in enrollment for several years, and FCMAT projects this pattern will continue in 2017-18 and 2018-19.

FCMAT used the cohort survival technique to project the district's enrollment. Cohort survival groups students by grade level on entry and tracks them annually, evaluating the longitudinal relationship of the number of students passing from one grade to the next in the subsequent year. In doing so, the technique more closely accounts for retention, dropouts, and new and departing students by grade. Although other enrollment forecasting methods are available, the cohort

survival method is usually considered the best choice for school districts because of its sensitivity to incremental changes in several key variables.

Percentages are calculated from historical enrollment data certified during the fall 1 census date for CALPADS, which is always the first Wednesday in October, to determine a percentage of increase or decrease in enrollment between any two grades. For example, if 100 students were certified as enrolled in first grade in 2016-17 and that number increased to 104 in second grade in 2017-18, the survival would be 104%, or a ratio of 1.04. These ratios are calculated between each pair of grades or years in school over several recent years. These ratios are key factors contributing to the reliability of the projections given the validity of the data at the starting point. Each ratio collectively encompasses the variables that could account for an increase or decrease in the size of a grade cohort as it progresses over a period of time.

Enrollment variables include the following:

- Birth rates and trends
- Historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Interdistrict transfers
- Migration in and out of schools
- Changes in local and regional demographics
- Industry changes such as a new industry moving into or existing industry moving out of an area
- Residential housing starts, and the correlation of housing starts with local, state or national economics

P-2 ADA is calculated based on student attendance from the first day of school through the last school month ending on or before April 15. Schools are bound by an annual deadline of March 15 to provide notice to certificated staff if employment may be terminated in the subsequent year. To ensure appropriate action is taken by this deadline, an LEA must have up-to-date enrollment and ADA projections based on the most current information and estimates to determine whether notices are necessary; if so, how many; and prepare them. Failure to identify potential reductions in revenue and plan for necessary staffing reductions in a timely manner can have a significant impact on the district's financial position.

LCFF funding is calculated based on the current or prior year P-2 ADA report, whichever is greater. LCFF funding is also determined based on the LEA's unduplicated pupil percentage, which is determined based on a three-year rolling average of the number of enrolled students who are eligible for free/reduced priced meals or identified as English learners and/or foster youth and dividing the results by total enrollment; eligibility is only counted as one if the student meets multiple criteria. The following is FCMAT's analysis of enrollment and ADA for Yosemite Unified:

	2013-14 CBEDS	2014-15 CBEDS	2015-16 CBEDS	2016-17 CBEDS	2017-18 CBEDS	2018-19 Projected	2019-20 Projected
Kindergarten	100	98	86	119	100	86	86
1st Grade	93	93	84	92	102	100	86
2nd Grade	104	95	87	83	91	101	99
3rd Grade	104	107	106	98	79	95	105
	401	393	363	392	372	382	376
P2 - Attendance	385.39	382.18	361.60	359.42	341.08	350.25	344.75
% P2 / CBEDS	96.11%	97.25%	99.61%	91.69%	91.69%	91.69%	91.69%
4th Grade	108	105	107	106	100	80	96
5th Grade	124	113	106	107	99	95	75
6th Grade	120	129	118	110	113	102	98
	352	347	331	323	312	277	269
P2 - Attendance	340.33	328.67	312.00	306.77	296.32	263.08	255.48
% P2 / CBEDS	96.68%	94.72%	94.26%	94.98%	94.98%	94.98%	94.98%
7th Grade	108	117	118	115	115	113	102
8th Grade	110	111	114	126	116	119	117
	218	228	232	241	231	232	219
P2 - Attendance	206.79	214.37	217.75	225.73	216.36	217.30	205.12
% P2 / CBEDS	94.86%	94.02%	93.86%	93.66%	93.66%	93.66%	93.66%
9th Grade	179	194	179	197	223	211	214
10th Grade	197	170	200	188	190	224	212
11th Grade	192	192	170	197	185	187	221
12th Grade	202	180	191	188	192	185	187
	770	736	740	770	790	807	834
P2 - Attendance	744.84	685.28	692.96	715.19	733.58	749.37	774.45
% P2 / CBEDS	96.73%	93.11%	93.64%	92.88%	92.88%	92.88%	92.88%
Total CBEDS Enrollment.>	1,741	1,704	1,666	1,726	1,705	1,698	1,698
Enrollment Decline...>	53	(37)	(38)	60	(21)	(7)	-
P2 - Attendance	1677.35	1610.50	1584.31	1607.11	1587.35	1592.08	1584.59
% P2 / CBEDS	96.34%	94.51%	95.10%	93.11%	93.11%	93.77%	93.33%

Because ADA is the basis for most of the resources in the general fund, the district must take the time and funding needed to manage and monitor these projections. ADA projections will change over time and should be adjusted at least at the adoption of the district's budget and at the interim budget report filing periods. Monthly adjustments that calculate the difference between the projected and actual ADA reported would give the district the most current information and would allow management to respond to changes in enrollment trends. Historical and future trends require careful analysis that consider a variety of factors, including charter schools, county and district special education programs, nonpublic school attendance and loss of necessary small school funding.

Enrollment and ADA projections have inherent limitations because they are based on certain criteria and assumptions instead of exact calculations. Therefore, the forecasting model should be viewed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. To maintain the most accurate and meaningful data, the district should routinely prepare and update enrollment projections and compare them to actual enrollment. This process provides the district with greater ability to identify a potential enrollment decline and adjust staffing levels and expenditure budgets where appropriate.

Projection Assumptions

FCMAT prepared its multiyear financial projection to include the impact of the state's 2017-18 enacted budget and the district's updated 2017-18 budget as of first interim. The team reviewed the district's records, interviewed staff members and examined a variety of financial documents to gather the information needed for the multiyear financial projection. Assumptions include conservative economic factors and estimates described by major object code.

Revenue Assumptions (Object Code 8XXX):

Projected revenue was based on validation of funding from the California Department of Education (CDE), School Services of California (SSC), grant letters and analysis of district estimates for any sources that could not be independently verified. FCMAT reviewed and projected federal, other state and local revenues using the funding levels indicated in the district's updated budget for the interim budget report, with deductions for any one-time funding or carryover from previous years.

Local Control Funding Formula (LCFF) Sources (8010-8099)

The LCFF is the funding model for school district operational funding. LCFF was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and Charter School Block Grant state apportionment distribution methodologies. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English language learners, and foster youth).
- An additional 50% of the base grant multiplied by the district's percentage of disadvantaged pupils that exceed 55%.

Many former state categorical programs were eliminated, and the related funding was redirected to support the implementation of the LCFF. Full implementation of the LCFF was expected to take eight years, with districts receiving a transitional level of funding during implementation. A target level of funding is determined using the above formula, and a floor level of funding is computed using 2012-13 revenue limit funding rates multiplied by current year funded ADA. The LCFF transition funding is calculated yearly, and funding during the phase-in period is based on the difference between the district's floor and target funding. This difference is referred to as the gap. A district that has not reached the target level of funding receives a percentage of the gap, determined by how much is appropriated in the state budget. The floor is recalculated each year and increased to include the prior year gap funding adjusted for current year ADA.

Districts are advised to use the FCMAT LCFF Calculator for estimating funding from the LCFF. For most districts, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's property tax will first be applied toward the total LCFF entitlement and the balance is funded through state aid.

FCMAT prepared independent LCFF calculations and provided them to the district and county office in preparation for first interim. The following is a breakdown of the LCFF historical projection, current and three subsequent fiscal years. Full implementation of the LCFF is anticipated to be completed by 2020-21 or possibly earlier depending on economic factors. While the economy has continued to improve over the last five years, the governor and the Department of Finance continue to remind educational entities that shifts in the state's economic status may decrease school funding.

Summary of Funding						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Target	\$ 16,131,412	\$ 15,600,014	\$ 15,905,936	\$ 16,149,928	\$ 16,534,472	\$ 16,501,986
Floor	14,227,079	14,808,533	15,252,369	15,414,995	15,842,979	15,906,202
Applied Formula: Target or Floor	FLOOR	FLOOR	FLOOR	FLOOR	FLOOR	FLOOR
Remaining Need after Gap (informational only)	903,461	347,644	371,291	248,995	242,576	-
Current Year Gap Funding	1,000,872	443,837	282,276	485,938	448,917	595,784
Economic Recovery Target	91,982	122,643	153,304	183,965	214,625	245,286
Additional State Aid	-	-	-	-	-	-
Total Phase-In Entitlement	\$ 15,319,933	\$ 15,375,013	\$ 15,687,949	\$ 16,084,898	\$ 16,506,521	\$ 16,747,272
Components of LCFF By Object Code						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
8011 - State Aid	\$ 6,887,522	\$ 6,870,761	\$ 7,401,322	\$ 7,922,799	\$ 8,347,960	\$ 14,567,576
8011 - Fair Share	-	-	-	-	-	-
8311 & 8590 - Categoricals	-	-	-	-	-	-
EPA (for LCFF Calculation purposes)	2,702,721	2,500,765	2,373,787	2,251,930	2,242,216	2,179,696
<i>Local Revenue Sources:</i>						
8021 to 8089 - Property Taxes	6,993,527	7,652,216	7,805,260	7,961,366	8,120,593	-
8096 - In-Lieu of Property Taxes	(1,263,837)	(1,648,728)	(1,892,421)	(2,051,197)	(2,204,247)	-
Property Taxes net of in-lieu	5,729,690	6,003,488	5,912,839	5,910,169	5,916,346	-
TOTAL FUNDING	\$ 15,319,933	\$ 15,375,013	\$ 15,687,949	\$ 16,084,898	\$ 16,506,521	\$ 16,747,272
Total Phase-In Entitlement	\$ 15,319,933	\$ 15,375,013	\$ 15,687,949	\$ 16,084,898	\$ 16,506,521	\$ 16,747,272
8012 - EPA Receipts (for budget & cashflow)	\$ 2,713,425	\$ 2,500,765	\$ 2,373,787	\$ 2,251,930	\$ 2,242,216	\$ 2,179,696
Summary of Student Population						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Unduplicated Pupil Population						
Agency Unduplicated Pupil Count	832.00	817.00	880.00	870.00	865.00	-
COE Unduplicated Pupil Count	15.00	24.00	24.00	24.00	24.00	-
Total Unduplicated pupil Count	847.00	841.00	904.00	894.00	889.00	-
Rolling %, Supplemental Grant	48.0700%	47.0600%	49.6300%	50.3600%	51.7700%	0.0000%
Rolling %, Concentration Grant	48.0700%	47.0600%	49.6300%	50.3600%	51.7700%	0.0000%
FUNDED ADA						
Adjusted Base Grant ADA	<i>Prior Year</i>	<i>Current Year</i>	<i>Prior Year</i>	<i>Prior Year</i>	<i>Prior Year</i>	<i>Prior Year</i>
Grades TK-3	388.44	367.18	367.18	348.84	358.01	344.75
Grades 4-6	331.27	311.25	311.25	301.27	268.03	255.48
Grades 7-8	222.46	228.20	228.20	221.21	222.15	205.12
Grades 9-12	705.95	741.08	741.08	760.64	776.43	772.15
Total Adjusted Base Grant ADA	1,648.12	1,647.71	1,647.71	1,631.96	1,624.62	1,577.50
Necessary Small School ADA	<i>Current year</i>					
Grades 9-12	7.36	2.30	2.30	2.30	2.30	2.30
Total Necessary Small School ADA	7.36	2.30	2.30	2.30	2.30	2.30
Total Funded ADA	1655.48	1650.01	1650.01	1634.26	1626.92	1579.80
ACTUAL ADA (Current Year Only)						
Grades TK-3	369.52	367.18	348.84	358.01	352.51	-
Grades 4-6	313.95	311.25	301.27	268.03	260.43	-
Grades 7-8	222.11	228.20	221.21	222.15	209.97	-
Grades 9-12	714.84	743.38	762.94	778.73	803.81	-
Total Actual ADA	1,620.42	1,650.01	1,634.26	1,626.92	1,626.72	-
Funded Difference (Funded ADA less Actual)	35.06	-	15.75	7.34	0.20	1,579.80
Minimum Proportionality Percentage (MPP)						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Current year estimated supplemental and co	\$ 674,248	\$ 704,119	\$ 759,386	\$ 915,109	\$ 943,862	\$ 1,450,888
Current year Minimum Proportionality Perce	4.76%	4.96%	5.26%	6.23%	6.26%	9.79%

Federal Revenue (8100-8299)

FCMAT assumed unchanged funding levels (unless funding was one-time) for federal programs in 2017-18 with no cost-of-living adjustment (COLA) in 2018-19 and 2019-20.

Other State Revenue (8300-8599)

Unless described otherwise, other state grant award amounts for 2017-18 were confirmed and are carried forward to 2018-19 and 2019-20, less one-time amounts received in 2017-18.

Mandate Funding

The district is projected to receive \$235,061 in one-time mandate funding in 2017-18. This revenue source has been eliminated in 2018-19 because these funds are considered one-time, and it is unknown whether they will be appropriated in future years.

The district is also projected to receive \$68,881 in ongoing mandate block grant funding in 2017-18, as well as in 2018-19 and 2019-20, and funding is calculated based on per ADA amounts from the School Services of California (SSC) Dartboard. Receipt of mandate block grant funds is contingent on the district filing a funding application each year with the CDE.

Lottery

FCMAT projected unrestricted lottery revenues based on the district's projected annual ADA multiplied by \$146 and \$48 for restricted lottery instructional material revenues per the SSC Dartboard.

Proposition 39 – CA Clean Energy Jobs Act

The California Clean Energy Jobs Act allocates funds to eligible LEAs for five fiscal years, beginning with fiscal year 2013-14. LEAs may request funds by submitting an energy expenditure plan application to the California Energy Commission. The purpose of the program is to fund projects to improve energy efficiency and expand clean energy generation in schools.

The California Energy Commission has an estimated five-year allocation plan for the district totaling \$558,296. FCMAT's projection assumes that the district files all appropriate energy expenditure plans by the required deadlines. Funding is included through 2019-20, although it has since been clarified to end as of 2017-18. The district has until June 30, 2019 to encumber the funds and should update its projections accordingly at second interim.

Other Local Revenue (8600-8799)

Other local revenues include interest, donations and other miscellaneous revenues. FCMAT adjusted the district's 2018-19 and 2019-20 projected revenues by the amount of one-time local revenues received in 2017-18, but otherwise they were projected to remain at current levels.

Contributions (8980-8990)

The flexibility provided to districts beginning in 2008-09 reduced the required contribution to the routine restricted maintenance account (resource 8150) from 3% to 1% of total general fund expenditures and other financing uses; however, this provision started phasing out beginning in 2015-16. The required contribution in 2016-17 was the lesser of 3% of general fund expenditures or the amount of the 2014-15 contribution. For 2017-18 through 2019-20, the required contribution increases to the greater of the following: 2% of general fund expenditures, or the lesser of 3% of general fund expenditures or the amount contributed in 2014-15. Beginning in 2020-21, the required contribution returns to 3% of general fund expenditures. The district contributes approximately 5% to this account, well over the required amount.

When restricted resource expenditure budgets exceeded projected revenue in the second and third year of the projection, FCMAT first reduced expenditures in the 4XXX object code series. If a shortfall remained, the team reduced expenditures in the 5XXX object code to allow maximum use of the restricted dollars on the program; no reductions of salary and benefit

budgets were made. A contribution from the unrestricted resource was made to balance special education resource (6500) and local assistance entitlements expenditure resource (3310).

Expenditure Assumptions (Object Codes 1XXX-7999)

FCMAT's MYFP assumes that the district's current ongoing costs as of 2017-18 first interim will continue unless adjusted as noted below.

Salary and Benefits (1XXX-3XXX)

The district does not utilize an automated position control system integrated with the automated financial system to manage salary and benefit data. Instead, a detailed spreadsheet was developed when updating the 2017-18 budget to track these commitments based on current staffing. All salary and benefit costs were then compared to the 2016-17 unaudited actuals and 2017-18 payroll records. Benefits were adjusted proportionally to updated salary, including estimated step and column, amounts.

Books, Supplies and Services (4XXX-5XXX)

- Expenditure budgets for books, supplies and services included in the first interim report appear reasonable based on past spending trends, although a priority should be reducing budgets based on the district's fiscal standing. The 2017-18 budget was updated to include all current commitments at this time.
- Books, supplies and service expenditure budgets were adjusted for inflation based on the Consumer Price Index (CPI) for 2018-19 (3.35%) and 2019-20 (3.02%).
- Books and services budgets in restricted resources were reduced when ongoing revenue was insufficient to cover ongoing expenditures as adjusted by CPI.

Capital Outlay (6XXX)

- 2017-18 expenditures were considered one-time and not carried forward in 2018-19 or 2019-20.

Other Outgo (7XXX)

Debt Service:

The district has one certificates of participation (COPs) and one sewer assessment. As agreed with the lender, only interest was required to be paid since 2014 on the COP, but interest-only payments ended in 2016-17. Starting in August 2017, principal payments are also required, practically doubling the cost between 2016-17 and 2017-18. Overall, this is an increase from \$153,789 in 2016-17 to \$486,682 in 2019-20, a rise of 216%.

Direct/Indirect Costs:

Indirect cost charges were applied to all programs where allowable to ensure proper program cost accounting, even when this resulted in a contribution back to the resource from the unrestricted resource. The allowable indirect cost rates applied were 5.48% to 2017-18, 2018-19 and 2019-20.

Interfund Transfers (8919 & 7619)

Other Authorized Interfund Transfers Out (7619)

The district's first interim report includes transfers out of the general fund into other funds totaling \$158,513 which included:

- \$53,874 to the cafeteria fund

- \$104,639 to the capital facilities fund

FCMAT's projection reduces the transfer to only fund 13 (cafeteria) for \$53,874 in 2018-19 and 2019-20. The reduction was to the transfer to the capital facilities fund. If revenue in the capital facilities fund does not increase adequately to cover the full amount of the debt service payments, or another source of payment is not found, the amount will need to be increased at second interim.

Other Funds

FCMAT performed a basic review of other district funds to consider their financial impact on the district's unrestricted general fund. Therefore, some observations and recommendations are provided in conjunction with the review of the district's general fund.

Cafeteria Fund (13)

The district's nutrition service program is not self-supporting and requires annual contributions from the general fund's unrestricted resources each year. The contribution projected for 2017-18 is \$53,874.

The district should make certain all costs attributable to the operation of the child nutrition program are appropriately accounted for in this fund to ensure appropriate program cost accounting. This includes the proper application and charge for indirect costs, which are the allocation of overhead costs supporting program operations. The board can make informed decisions on the goods and services offered by the district only through proper recognition of all revenue and relative expenditures.

Recommendations

The district should:

1. Routinely prepare a detailed MYFP that incorporates detailed assumptions focused on enrollment and ADA changes and considers the potential effect on the unrestricted general fund and the district's ability to meet minimum reserve requirements.
2. Develop a fiscal recovery plan to eliminate the district's structural deficit in the general fund. This plan should be detailed and identify, in order of priority, specific expenditure reductions and their calculated costs savings that can be implemented by the governing board in a timely manner.
3. Carefully monitor the activity of other funds to ensure the financial impact on the unrestricted general fund in the current and subsequent two years is considered in all multiyear financial projections.
4. Ensure that all funds, including the district's nutrition service program, are self-supporting instead of requiring annual contributions from the general fund's unrestricted resources.

Organizational Structure

A school district's organizational structure should establish the framework for leadership and the delegation of specific duties and responsibilities for all staff members. This structure should be managed to maximize resources and reach identified goals and should adapt as the district's enrollment increases or declines. The district should be staffed according to generally accepted theories of organizational structure and the standards used in other school agencies of similar size and type. The most common theories of organizational structure are span of control, chain of command, and line and staff authority.

Span of Control

Span of control refers to the number of subordinates reporting directly to a supervisor. While there is no agreed upon ideal number of subordinates for span of control, it is generally agreed that the span can be larger at lower levels of an organization because subordinates at the lower levels typically perform more routine duties, and therefore can be more effectively supervised, according to "Principles of School Business Management" by Craig R. Wood, David C. Thompson and Lawrence O. Picus.

Chain of Command

Chain of command refers to the flow of authority in an organization and is characterized by two significant principles. Unity of command suggests that a subordinate is only accountable to one supervisor, and the scalar principle suggests that authority and responsibility should flow in a direct vertical line from top management to the lowest level. The result is a hierarchical division of labor as described in "Principles of School Business Management."

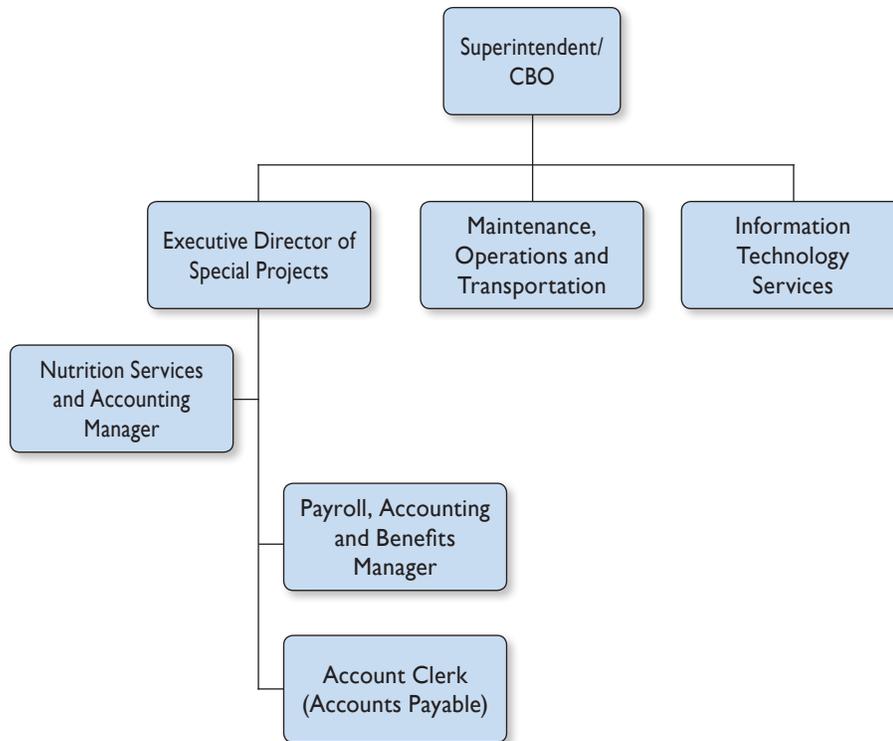
Line and Staff Authority

Line authority is the relationship between supervisors and subordinates and refers to the direct line in the chain of command. For example, the normal structure FCMAT finds in school districts is that the superintendent has direct line authority over the chief business official, and the chief business official has direct line authority over the business department staff. Conversely, staff authority is advisory in nature. Staff personnel do not have the authority to make and implement decisions, but act in support roles to line personnel (supervisors). The organizational structure of local educational agencies contains both line and staff authority.

The purpose of any organizational structure is to help district management make key decisions to facilitate student learning while balancing financial resources. The organizational structure should outline the management process and its specific links to the formal system of communication, authority and responsibility needed to achieve the district's goals and objectives.

The organizational structure of the business office at the Yosemite Unified School District was not formally documented. There were many recent hires and open positions, causing confusion for the study team as well as for district staff. The superintendent is also the CBO, a unique combination that in FCMAT's opinion does not work well in a district this size. When the current superintendent was hired, the combination was formalized as part of a cost-saving measure. The prior interim superintendent also acted as the CBO, a combination that in FCMAT's opinion, also was not effective at that time.

At the time of FCMAT's fieldwork, the organizational structure for the Business Services Department, with additional operational areas added as they will be discussed below, was interpreted as follows (although not all positions were filled):

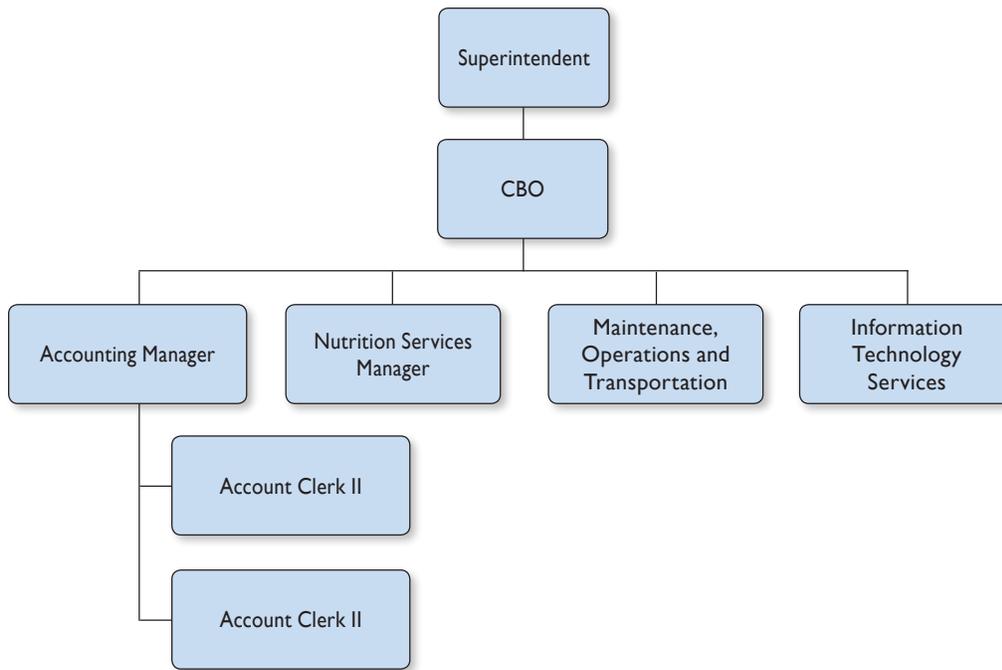


The executive director's span of control would make sense if it actually occurred as reflected in the above chart. FCMAT's interpretation during fieldwork was that the position had three direct reports (although the executive director position later became vacant), which would allow the director to effectively supervise business office staff and support the chief business official.

Because of the ineffective execution of the superintendent/CBO combination, the district should add a separate CBO position reporting directly to the superintendent, eliminating the executive director of special projects position, and business office duties should be redistributed and positions renamed. Basically, the executive director position would be renamed the CBO, with all operational areas (maintenance/operations, nutritional services, technology services) reporting to that position. Those operational areas currently report directly to the superintendent/CBO position, which is too large a span of control.

Even with the addition of a stand-alone CBO position, one additional account clerk II position should be added. The CBO should supervise the accounting manager (renamed from the accounting, payroll and benefits manager), who would be responsible for budget and position control. This manager should also supervise and evaluate the two account clerk II staff who would be responsible for payroll and accounts payable, attendance accounting, and accounts receivable.

The suggested organizational structure is reflected as follows:



Business Office Comparisons

FCMAT conducted an informal survey of 20 similar unified school districts based on enrollment comparisons from Ed-Data. Although not all districts replied to the survey, 11 provided information pertaining to number of positions, reporting structure, and full-time equivalents (FTE). Some also responded with job descriptions so that FCMAT could better understand how different business departments in like-sized districts were structured in terms of responsibilities. A summary of that information is below:

District Name	County of District	Comparison FTE*
Fort Bragg Unified	Mendocino	4 FTE
Gridley Unified	Butte	4 FTE
Hughson Unified	Stanislaus	3 FTE
Silver Valley Unified	San Bernardino	5 FTE
Yosemite Unified	Madera	3 FTE**
Woodlake Unified	Tulare	4 FTE
Orland Joint Unified	Glenn	4 FTE
Linden Unified	San Joaquin	4 FTE
Carpinteria Unified	Santa Barbara	5 FTE
Firebaugh-Las Deltas Unified	Fresno	5 FTE***
Dos Palos Oro Loma Joint Unified	Merced	4 FTE
River Delta Joint Unified	Sacramento	5 FTE

*These FTE are for CBO, payroll, accounts payable and other accounting/budget functions. For those districts that include purchasing, warehouse, nutritional services or other positions in the business department, such as facility use permits, FCMAT has excluded the positions from this analysis.

**This is the only comparison district with a combination CBO/superintendent position, which is NOT being counted in the FTE amount.

***The two payroll clerks do NOT report to the CBO, but to Human Resources. They are included here for comparison purposes based on duties.

*These FTE are for CBO, payroll, accounts payable and other accounting/budget functions. For those districts that include purchasing, warehouse, nutritional services or other positions in the business department, such as facility use permits, FCMAT has excluded the positions from this analysis.

**This is the only comparison district with a combination CBO/superintendent position, which is NOT being counted in the FTE amount.

***The two payroll clerks do NOT report to the CBO, but to Human Resources. They are included here for comparison purposes based on duties.

The comparison data supports FCMAT's recommendation to discontinue the superintendent/CBO combination and address the understaffing in business office support.

Recommendations

The district should:

1. Formally document the organizational structure of the district business office.
2. Discontinue the practice of combining the superintendent and CBO positions.
3. Add a separate CBO position, replacing the executive director position, reporting directly to the superintendent.
4. Redistribute business office duties and rename existing positions.
5. Restructure so that all operational areas (maintenance/operations, nutritional services, technology services) report to the CBO.
6. Add an additional account clerk II position.

Organizational Culture and Communications

Organizational culture is broadly defined as a system of shared assumptions, values, and beliefs that govern how people behave in school districts. These shared values strongly influence the people in the organization and dictate how they dress, act, and perform their jobs. Every school district possesses a unique culture that is generally not formal, but shaped by the actions of leadership over time. The district superintendent sets the tone and should ensure that staff have the resources, training, direction and communication necessary to perform their duties.

FCMAT staff interviews indicate that district personnel who are from outside the community and did not attend district schools believe they are perceived as outsiders and unwelcome. The superintendent/CBO is perceived to be hiring more new staff from outside the district. Longtime employees stated that internal candidates should be preferred for open positions, even if the hiring manager considers the outside candidate more suitable. FCMAT's opinion is that this perception makes it difficult or impossible for outside hires to feel welcome.

Effective communication is essential in providing a sense of stability and effective leadership. Otherwise, inaccurate information may circulate and be assumed accurate. During interviews, many district staff members indicated the district office administration lacks sufficient communication. The superintendent/CBO does not conduct monthly staff meetings, and some district office departments have no meetings. Some departments do not participate in cross-department meetings or receive information about decisions that affect them. FCMAT was able to verify that the superintendent/CBO held cabinet meetings on Tuesdays when she was available.

One important aspect of effective meetings is to ensure agendas are prepared in advance. To promote collaboration, a draft agenda should be distributed a week ahead to request topics. This timeline allows staff attending to be prepared to discuss the items that may be their responsibility. The agenda should also relate in some manner to the district's vision, mission, and goals statements to emphasize their importance and demonstrate how district office work is directly related to student learning and outcomes. Questions from staff can often be answered in the meetings, which can also communicate critical information. This is also an efficient and effective way to train new staff and build trust among leadership and staff.

Communication protocols and expectations between management and staff are unclear. Some staff are unprofessional when communicating with fellow employees, refuse to have face-to-face conversations, and sometimes do not respect closed doors or ongoing conversations.

The superintendent/CBO should take the lead in establishing better lines of communication throughout the district, including the district office. This could start by holding a monthly district officewide staff meeting to share important information. This meeting could be scheduled at the first of every month and held in the boardroom to accommodate all district office staff.

Recommendations

The district should:

1. Ensure the superintendent sets the tone of the organization.
2. Ensure the superintendent convenes monthly all-district office staff meetings.
3. Require personnel in departments that interact with each other daily to meet as departments monthly or bimonthly to improve communication.
4. Prepare written agendas before each meeting.

Workplace Environment

This study was requested and undertaken during a period of transition for the district's central office, especially the business office. At the time of fieldwork, the superintendent/CBO had been in the district for less than six months and the executive director of special projects for less than four months. The accounting, payroll and benefits position was a new hire who left during FCMAT's work to fill the newly vacant executive secretary position. The single business office position that has been consistently filled for many years is the account clerk II that processes accounts payable. The nutrition services and accounting manager position that reports to the executive director had been vacant for four months. The human resources manager is a long-time employee, but new to the position, and the director of special education and student services is also new to her position.

Recent hiring decisions have raised employee concerns about opportunities for career advancement since they were no longer considered first for open positions. In addition, the new superintendent/CBO eliminated a Business Services Department director/assistant business manager position that had been filled by the same employee for many years and replaced it with a different title/responsibility (the executive director of special projects).

During interviews, most employees expressed concern about what they perceived as the new superintendent/CBO's abrupt and secretive style, the amount of funds being spent to train the new executive director, the superintendent/CBO's recent hiring of nondistrict employees and the elimination of the director position in the Business Services Department. Most interviewees who had worked at the district for more than two years spoke negatively about current administrative decisions, and the majority commented on workload pressures and frustration with manual processes. The same employees were complimentary of each other and their working relationships with colleagues who were not new hires. Changes in processes and personnel were not welcome or thought beneficial.

The newly hired executive director of special projects appeared overwhelmed in covering for vacant positions and seemed unable to provide strong guidance and training to others. The new superintendent/CBO is also overwhelmed with outstanding issues and therefore cannot assist. If the workload was distributed more appropriately based on FCMAT's recommendations, the executive director can focus on leadership, training, coaching and overseeing the work of the Business Services Department. The workload shift and addition of business office staff is critical, but depends on a fully staffed operation. The superintendent/CBO will need to address these circumstances, as well as support her direct report in Human Resources (HR), who is also overwhelmed because of assisting with open positions. Because the HR manager has previously filled the payroll and benefits position and has so much history in the district, she has been asked to assist in various areas, affecting her capacity to do her new job in Human Resources.

Vacancies should be filled and training provided as priorities. As solutions to this environment are identified, the district should focus on organizational structures and assignments that strengthen the system of internal controls as well as workplace environment.

Recommendation

The district should:

1. Fill vacancies in business services, reassign work and adjust work levels so that organizational structures and assignments strengthen the system of internal controls and workplace environment.

Internal Controls

Internal controls are the principal mechanism for preventing and/or deterring fraud or illegal acts. Effective internal control processes provide reasonable assurance that a district's operations are effective and efficient, the financial information produced is reliable, and the organization operates in compliance with all applicable laws and regulations. Internal control elements provide the framework for an effective fraud prevention program. An effective internal controls structure includes the policies and procedures used by staff, adequate accounting and information systems, the work environment, and the professionalism of employees.

Organizational structure is a critical element of the internal controls system. An organization establishes control over its operations by setting goals, objectives, budgets and performance expectations. Several factors influence the effectiveness of internal controls, including the social environment and how it affects employees' behavior, the availability and quality of information used to monitor the organization's operations, and the policies and procedures that guide the organization. Internal controls helps an organization obtain timely feedback on its progress in meeting operational goals and guiding principles, producing reliable financial reports, and ensuring compliance with applicable laws and regulations. Internal controls provide the means to direct, monitor, and measure an organization's assets and resources and plays an important role in protecting it from fraud, abuse, or misappropriation.

The following is a partial list of common deficiencies and omissions that can cause internal controls failures:

- Failure to adequately segregate duties and responsibilities related to authorization.
- Failure to limit access to assets or sensitive data (e.g., cash, fixed assets, personnel records).
- Failure to record transactions, resulting in lack of accountability and the possibility of theft.
- Failure to reconcile assets with the correct records.
- The making of unauthorized transactions, resulting in skimming, embezzlement or larceny.
- The lack of monitoring or implementation of internal controls by the governing board and management, or because personnel are not qualified.
- Collusion among employees where little or no supervision exists.

A system of internal controls consists of policies and procedures designed to provide the governing board, superintendent and management with reasonable assurance that the organization achieves its goals and objectives. Traditionally referred to as hard controls, these include segregation of duties; limiting access to cash; management review and approval; and reconciliations. Other types of internal controls, typically referred to as soft controls, include management tone; performance evaluations; training programs; and maintaining established policies, procedures and standards of conduct.

The internal controls environment establishes the organization's moral tone. Though intangible, it begins with the leadership and consists of employees' perception of the ethical conduct displayed by the governing board, superintendent and executive management. The control environment is a prerequisite that enables other components of internal controls to be effective in preventing

and/or deterring fraud or illegal acts. It sets the tone for the organization, provides discipline and control, and includes factors such as integrity, ethical values and employee competence.

Control activities are a fundamental element of internal controls, and are a direct result of policies and procedures designed to prevent and identify misuse of a district's assets, including preventing any employee from overriding controls in the system. Control activities include the following:

- Performance reviews, which compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared with actual expenditures to identify variances, and followed up with budget transfers to prevent overspending.
- Information processing, which includes the approvals, authorizations, verifications and reconciliations necessary to ensure that transactions are valid, complete and accurate.
- Physical controls, which are the processes and procedures designed to safeguard and secure assets and records.
- Segregation of duties, which consists of processes and procedures that ensure that no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction, and for independent review of the work.

Each person in an organization is responsible for internal controls in some capacity because nearly everyone either produces information used by the internal controls system or takes action to implement organizational control. Further, each individual should take responsibility for appropriately communicating problems in operations, noncompliance with policies, or illegal actions. Ultimately, internal controls should pervade every level of the organization; however, administrators and program managers, governing board members and the superintendent, and auditors have particular roles to play.

FCMAT reviewed the Business Services Department's operational processes and procedures and found many to be lacking or nonexistent in significant areas. FCMAT did not conduct an internal controls audit, but the team's findings were developed from staff interviews, personal observations and a review of documentation provided by the district.

Segregation of Duties

Adequate internal accounting procedures should be implemented and necessary changes made to segregate job duties and protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset, such as cash, and maintain the records of its transactions.

Human Resources

Human Resources is a small 1.0 FTE department where clear segregation of duties is not always possible because of its size. However, clear delineation of duties is necessary to ensure that those approving the posting of open jobs are not fully responsible for hiring and assigning personnel to fill the opening. A strong position control process will help alleviate some segregation of duties

concerns in Human Resources, and with additional Business Services staff, segregation of duties can be improved. Position control is discussed later in this section.

Staff Cross-Training

More than one employee should be able to perform each job. Each staff member should be required to use accrued vacation, and another staff member should be assigned to perform those duties at that time. Inadequate cross-training is often a problem regardless of the size of an organization. Because of inadequate staffing in the district's business office, cross-training was lacking in all positions other than payroll and benefits since the human resources manager has previously filled the position.

System of Checks and Balances, including Policies and Procedures

Formal policies and procedures should be implemented to initiate, approve, carry out, record and reconcile transactions. The procedures should identify the employees responsible for each step and the time period for completion. Key areas requiring checks and balances include payroll, purchasing, accounts payable and cash receipts.

Current comprehensive policies and corresponding administrative regulations and/or desk procedures for all operational areas are essential elements of an effective operation to support training, cross-training, documentation of internal controls, justification and support.

The business office functions generally lack current comprehensive policies and procedures in all business areas. Additionally, every employee FCMAT interviewed commented on the lack of well-defined administrative regulations or desk procedures detailing roles and responsibilities.

Purchasing

Encumbrances are created at the beginning of the year for expenses such as fuel, utilities, taxes, water, and reimbursements to teachers for classroom supplies based on prior year actual expenditures. An open purchase order is created for the local hardware store for a specified dollar amount, and the business office sends a list of authorized purchasers to the vendor.

During the fiscal year, requisitions are completed manually on paper forms. Site personnel (e.g., the teacher, secretary, or principal) complete the requisition form, and the requestor and principal sign and send it to the business office. Sites and departments do not have access to budgets in the financial system, so the account code is often left blank. If the account code is indicated when the requisition arrives in the business office, the account clerk II checks the budget, enters the requisition in the financial system, and prints the purchase order. If the budget code is not included, the account clerk II will either add one based on prior similar purchases or give the requisition to the executive director of special projects to add it. If the budget balance is insufficient on the account line, the account clerk II will ask the executive director of special projects to complete a budget transfer. However, the financial system does not have a hard stop to prevent the account clerk II from entering a purchase order or paying an invoice that exceeds the amount of budget available, and FCMAT found these two practices occur frequently to get orders processed. The account clerk II, executive director of special projects or superintendent/CBO sign printed purchase orders. The account clerk II then distributes the signed purchase order and a copy to the requestor and a copy to the warehouse if the products are to be delivered there. The requestor then completes the order with the vendor. Orders for the high school and the Special Education Department are delivered to the warehouse, located on the high school

campus. Orders for the elementary schools are delivered to the specific site. The account clerk II is responsible for setting up new vendors and making changes to vendor information in the financial system. The account clerk II is also responsible for ensuring the receipt of IRS Form W9 from vendors and verifying and printing 1099 forms each year.

The district's manual purchasing process is cumbersome, time-consuming, and inefficient. Site personnel should be given access to their site budgets in the Everest financial system so they can be responsible for planning and monitoring their budgets. The district should utilize the requisitioning system in Everest and train site personnel to enter their own requisitions so they can be routed for electronic approval. This will ensure that the account codes have been applied to requested purchases and adequate funds are available in the budget for encumbrances. The district should implement a hard stop in the financial system to prevent a purchase from progressing past the requisition stage unless sufficient funds are available in the budget. The site manager should be responsible for requesting a budget transfer from the business office, indicating which accounts to increase and decrease to complete the purchase if funds are not available. These measures should make the purchasing process more efficient, ensure that funds are available prior to purchase, and make users more accountable.

Accounts Payable and Cash Disbursements

These processes control the disbursement of funds to outside entities. Proper internal controls include segregation of duties between vendor management, ordering/purchasing, receiving, authorizing payment and the actual payment of invoices.

When the site or warehouse receives the products, the receiver signs a copy of the purchase order or packing slip and sends it to the business office indicating that the products have been received and the invoice is okay to pay. When an invoice is received, the account clerk II matches the invoice, purchase order, and receiving document to begin the payment process. The account clerk II enters the payment information into the financial system to generate a vendor payment. The account clerk II prints and signs the accounts payable prelist, attaches the backup documentation, and gives the packet to the executive director of special projects or superintendent/CBO to sign the warrant authorization that is sent to the county office of education with the prelist. The county office audits the accounts payable batch and requests backup documentation on certain items from the district. The county office generally mails the printed warrants to the district, but the account clerk II or another district employee occasionally picks up the checks at the county office. When the district receives the checks, the account clerk II matches them with the backup, inserts the checks with the remittance advice into envelopes, and runs the envelopes through the postage machine for mailing to the vendor. A purchase order prelist is printed monthly and included in the board agenda packet.

The lack of segregation of duties between purchasing and accounts payable presents internal controls concerns. No single individual should be solely responsible for establishing new vendors, procuring items, making vendor payments, receiving warrants from the county office, and mailing vendor payments. Internal controls procedures would be improved by assigning a second employee to create vendors and change vendor information in the financial system, pick up warrants from the county office, and distribute them to vendors.

Credit Cards

The district issues credit cards to the superintendent/CBO and the two elementary principals, but also maintains in the business office a credit card for checkout, which teachers frequently use for conferences. The business office keeps a credit card checkout log that includes the

employee's signature, date, purpose, purchase order number, the date the card is due back, the actual return date, and the initials of the business office employee checking the card back in. The credit card and the checkout log were previously maintained in the office of the former fiscal services director, but were kept in the office of the account clerk II at the time of FCMAT's visit. The district also maintains an American Express card that is used only for emergencies. Open purchase orders are not created to encumber funds for estimated credit card use; however, purchase orders are issued for specific credit card purchases such as conference registration fees approximately 65% of the time. An open purchase order is created for the Lowe's credit card because Lowe's does not accept purchase orders.

The district does not have a board policy specifically about credit cards, and users are not required to sign credit card use agreements. Employees can charge meals on the credit card without regard to meal per-diem limits. Board Policy 3350, Travel Expense, prohibits personal expenses charged to district credit cards. FCMAT also found that receipts are not always returned to the business office before payments are due on the credit card account.

Purchase orders should be created for credit card purchases before use to ensure that budgetary purchasing controls are established. Cardholders and users should be required to sign user agreements that specify allowable and unallowable expenditures and timelines for submittal of receipts for all purchases, including consequences for misuse of the card. Use of the credit card for meals above the board approved per diem amount should be prohibited. The rates have been established by the superintendent/CBO and are included on the expense reimbursement form.

Travel Expenses

District board policy authorizes payment for actual and necessary travel expenses incurred by employees performing authorized services for the district. The policy prohibits reimbursement for personal expenses while on district-authorized travel and provides for reimbursement based on actual expenses as documented by receipts. Policy also prohibits the reimbursable mileage rate from exceeding the rate established by the IRS and requires the superintendent to establish a per-diem allowance for meal cost not to exceed the allowance used for federal income tax purposes. Reimbursement is to be made after receipt of a travel expense claim that has been verified by the business office, and includes proper documentation.

FCMAT found that while the per-diem rates listed on the expense reimbursement form are within those allowable by the IRS, the district reimburses above the rates listed on the form with a receipt and reimburses the per-diem amount without a receipt. Travel authorization forms are completed in advance of travel in most cases, although board policy requires approval from the superintendent or designee prior to all travel.

IRS regulations require amounts reimbursed to employees in excess of the IRS allowable rate to be reported as income on the employee's W2. The district should ensure that it does not reimburse employees for meals that are over the rate approved by the IRS and board policy.

Timely Reconciliations and Accounts Receivable

Bank statements and account balances should be reconciled monthly by an employee independent of the individual who is assigned to the original transaction and recording. For example, the office employee reconciling the checking account should not maintain the check stock, make deposits or write checks.

At the time of FCMAT's visit, it was unclear who was responsible for creating invoices. However, follow-up questions determined that the executive director of special projects is responsible for invoicing, preparing deposits and performing bank reconciliations. Cash and checks are stored in a safe in the office of the executive director of special projects while awaiting deposit. Monies are deposited in a local bank account and electronically transmitted to the county treasury. A cash receipt log is not maintained, and there is no written procedure for how cash is counted and how often deposits are to be made.

Responsibility for invoicing and depositing cash and checks should be transferred to the account clerk II or accounting manager. An employee other than the one receiving payments and making deposits should reconcile the bank statements. Cash and checks should be deposited in a timely manner, at least monthly, and transferred to the county treasury. To maintain adequate internal controls, one individual should not be responsible for invoicing, receiving payment, depositing payment, and reconciling the account as was the case at the time of FCMAT's visit.

Payroll

The payroll, accounting, and benefits manager is responsible for payroll processing, including deductions, retirement, and leaves. The district processes only one payroll per month for both regular positions and extra duty/overtime and substitute pay. Regular certificated and classified employees' salaries are annualized and are paid monthly in equal installments. Employee timesheets for extra duty/overtime and substitute time are prepared manually on a paper form. The district uses one form for certificated employees and substitutes, classified employees and substitutes, and aquatics. Timesheets are completed by the employee at the site, signed by the employee and the supervisor, and sent to the business office. Although the employee and supervisor sign the timesheets, no certification statement indicates that the signatures attest to the correctness of the time reported. The timesheets are difficult for the payroll manager to interpret and often lack essential information, including the appropriate account code to be charged. The timesheets include a column for the employee to indicate the name or the position of the person he or she substituted for, and that information is used to determine the proper account code to charge. However, the column is frequently left blank. Hours are often not totaled or totaled incorrectly, and the payroll, accounting and benefits manager must total each timesheet.

Employee leave reports are manually prepared on a paper form. Certificated employees also report their absences in the AESOP system. Some sites report classified absences in the DMS system, which is integrated with the district's financial system. The payroll, accounting and benefits manager receives a list of employee absences from the school sites, and compares each list to the paper forms that are received. Substitute timesheets are also compared to employee leave reports. Requiring employees to complete a paper leave form and enter absences in an electronic system is duplicative and unnecessary. All staff should be trained on the use of the electronic system and use it. Exceptions could be made for staff who do not have access to a computer, and the reporting system should be consistent for all employees at all sites. By eliminating manual and paper processes, tracking absences and processing substitute payroll will be more accurate and less time intensive.

The payroll, accounting and benefits manager tracks leave balances and calculates payroll deductions for absences. Because of recent employee turnover in the human resources manager position and the payroll, accounting and benefits manager position, the human resources manager is assuming these duties.

The human resources manager enters new employee demographic information into the financial system. This position determines salary schedule placement, and the payroll, accounting, and benefits manager prepares a pay sheet for each employee that details annual salary and monthly payments.

After the payroll information is entered into the financial system, a payroll prelist is printed, and the payroll payment order with monthly totals is prepared and signed by the board members. The payroll payment order is sent to the county office and after review, the county office prints the payroll warrants. The warrants are either mailed to the district or picked up by the payroll, accounting and benefits manager or another district employee. The payroll, accounting and benefits manager inserts the warrants into envelopes and runs the envelopes through the postage machine for mailing. Actual paychecks are sent to employees through the mail, while employees with direct deposit receive their pay stub at their work location.

The payroll, accounting, and benefits manager had been in the position for only a couple of months at the time of FCMAT's fieldwork. She indicated that the human resources manager was training her as time permitted, but the position had no written instructions or desk manual. These guidelines would include step-by-step procedures and help ensure that district procedures are followed and the employee has a thorough understanding of his or her responsibilities.

Position Control

Position control enables an organization to control and maintain staffing levels by focusing on authorized positions instead of the number or names of employees. The lack of a system is considered a high-risk factor in analyzing internal controls. Position control functions are a shared responsibility between Business Services and Human Resources and should be separated between the two to provide the best internal controls over hiring and paying employees.

Employee salary and benefit costs are the largest component of school district expenditure budgets and comprise approximately 81% of the district's unrestricted general fund budget. Therefore, it is essential for salary and benefit costs to be accurately calculated and reflected in the district's budget and multiyear projections. At the time of FCMAT's visit, the district was not utilizing the position control module in the district's financial system. District staff indicated that the position control system had been maintained by previous staff, but changes in staffing had not been maintained in the position control spreadsheet prior to June 2017, so the past spreadsheet was deemed unreliable for current budgeting purposes. For first interim reporting purposes, a new position control spreadsheet was created, and budget entries based on the spreadsheet were manually entered into the financial system. Utilizing a spreadsheet for salary and benefit projections is less accurate and not as efficient as utilizing the position control module in the district's financial system. Maintaining up-to-date employee information in the financial system will produce more accurate results for budget development, collective bargaining, and data analysis and will be more efficient with less duplication of effort.

For position control to be fully functional, the system should be integrated with the budget and payroll modules. Position control functions should be separated between the Human Resources and Business Services departments to ensure appropriate internal controls. These controls will ensure that only board-authorized positions are entered into the system, Human Resources hires only for positions that are board-authorized, and payroll pays only employees hired by Human Resources and authorized by the board. The following table provides a suggested distribution of labor between the Business Services and the Human Resources departments to maintain a high level of position control:

Task	Responsibility
Approve or authorize position	Governing Board or Designee
Input approved position into position control, with estimated salary/benefits Every position is given a unique number	Human Resources Department
Review salary/account codes	Business Services Department
Enter employee demographic data	Human Resources Department
Update employee benefits	Business Services Department
Update salary schedules	Human Resources Department
Review and update employee work calendars Update employee step/column placement	Human Resources Department
Account codes Budget development Budget projections Multiyear projections Salary projections	Business Services Department

Recommendations

The district should:

1. Ensure there is a clear delineation of duties in the district office for the Human Resources Department to perform the required work and maintain segregation of duties.
2. Cross-train staff, looking for regular opportunities to do so, to limit the risks common to small office operations where some functions may be limited to one person.
3. Develop written procedures for the Business Services operation. Set aside the required time to develop the procedures, update policies and revise outdated forms.
4. Implement the Everest electronic purchase requisition system and train site and department staff to enter purchase requisitions in Everest.
5. Implement a hard stop in the Everest financial system to prevent encumbrances when the budget lacks funds.
6. Add a second employee in the purchasing/accounts payable process, segregating the duties of setting up new vendors, changing vendor information in the financial system, processing requisitions, processing accounts payable invoices, picking up warrants from the county office, and distributing warrants to vendors.
7. Require purchase orders to be created before purchases are made with a credit card.

8. Develop a credit card use agreement and require cardholders and users to sign the agreement before issuance.
9. Require the use of approved per diem rates for meals and receipts based on board policy.
10. Require the use of travel authorization forms prior to travel.
11. Reassign responsibility for invoicing to the account clerk II or accounting manager.
12. Reassign responsibility for receipt of cash and checks to the account clerk II or accounting manager.
13. Ensure that the employee responsible for preparing invoices is not assigned to receive payments.
14. Ensure that two employees count cash received and sign the cash deposit slip.
15. Assign an employee who is not involved with the accounts receivable process to transport cash to the bank.
16. Segregate the duties of creating invoices, receiving payments, transporting cash and checks to the bank, and reconciling the bank statement.
17. Ensure deposits are made timely.
18. Require timesheets to be completed and submitted electronically for accuracy and efficiency.
19. Train staff to complete timesheets properly with all essential information for payroll processing, including the duties performed and the account code.
20. Include an attestation statement above the employee's signature on the timesheets.
21. Utilize the electronic systems already in place for leave reporting for all employees, and train employees in its use.
22. Assign an employee other than the payroll, accounting and benefits manager to collect payroll warrants from the county office and distribute them.
23. Develop desk manuals for each position in the business office.
24. Implement the position control system in the Everest system, and provide training in its use to key personnel from the Business Services and the Human Resources departments.

Charter School Fiscal Oversight

The district authorized Glacier High and Mountain Home charter schools, so it has fiscal oversight responsibility for both. The schools' parent company is Western Sierra Charter Schools, which contracts with the Madera County Superintendent of Schools for business services.

The charter school authorizer is responsible for overseeing the charter school's academic and fiscal activities. This is essential to ensure a charter school's fiscal health and the ability for the authorizer to intervene when necessary. An authorizer can be liable for the debts of a charter school if it fails to provide the oversight required by law, including but not limited to those duties required by Education Code Section 47604.32 and subdivision (m) of Section 47605.

Education Code Section 47604.32 states the responsibilities of a charter school-authorizing agency, including the following:

- Identify at least one staff member as a contact person for the charter school.
- Visit each charter school at least annually.
- Ensure that charter schools under its authority comply with all reports required of charter schools by law and all other mandatory reporting requirements.
- Monitor the charter schools' fiscal condition.
- Provide timely notification to the CDE when a charter renewal is granted, denied or revoked, and when a charter school ceases operation for any reason.

The details of how an authorizing agency executes its oversight authority of a charter school are not included in law, but defined in an agreement between both entities using language established in the charter petition and/or MOU. During FCMAT's visit, a staff member for fiscal accountability was not specifically identified, and no evidence could be found of active engagement in fiscal oversight practices in conjunction with the 2017-18 adopted budget or first interim reporting period.

A charter authorizing entity may charge a charter school fees for the costs of oversight as described in Education Code Section 47604.32. Education Code Section 47613 states that the charter authorizer may charge the charter school under the following conditions:

- It may charge an amount not to exceed 1% of the charter school's revenue when the authorizer does not provide the charter school with substantially rent-free facilities.
- It may charge an amount not to exceed 3% of the charter school's revenue when the authorizer provides the charter school with substantially rent-free facilities.

The district does not provide facilities to either of its authorized charter schools, but annually invoices 1% to both for oversight. However, FCMAT could find no evidence that the district fulfills its oversight authority; therefore, it is not following Education Code Section 47613.

FCMAT has developed an oversight checklist for charter schools and their authorizing agencies, which is available at www.fcmat.org, as well as in the document available at the following website:

<http://fcmat.org/wp-content/uploads/sites/4/2016/03/Charter-School-Annual-Oversight-Checklist-revised-final-3-17-2016.pdf>

The checklist can help oversight agencies focus on important areas and develop a plan that will meet the needs of their authorized charter schools and help the charter schools be aware of the area their authorizer may examine when exercising authorizer responsibilities.

Recommendations

The district should:

1. Ensure that it is fulfilling its responsibilities as a charter school-authorizing agency, per Education Code Section 47604.32.
2. Document the steps that the district is taking to execute its oversight authority if it intends to charge up to 1%.

Appendix

A. Study Agreement

Appendix A - Study Agreement



CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT September 7, 2017

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Yosemite Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Review the district's 2017-18 general fund budget and develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district eliminate its structural budget deficit and maintain financial solvency. The MYFP will be a snapshot in time of the current financial status and will use the district's 2017-18 adopted budget as the baseline. The MYFP will be developed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.
2. Conduct an organizational and staffing review of the district's Business Department and make recommendations for staffing improvements, if any.
3. Review operational processes and procedures for the Business Department and make recommendations for improved efficiency, if any.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report - Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
6. Final Report - Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. PROJECT PERSONNEL

The FCMAT study team may also include:

- A. *To be determined*
- B. *To be determined*

FCMAT Staff
FCMAT Consultant

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$650 per day for each staff member while on site, conducting fieldwork at other locations, presenting reports and participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due

following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$14,900.

D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT

A. The district will provide office and conference room space during on-site reviews.

B. The district will provide the following if requested:

1. Policies, regulations and prior reports that address the study scope.
2. Current or proposed organizational charts.
3. Current and two prior years' audit reports.
4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.

C. The district's administration will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

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

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Draft Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested

Follow-Up Support: if requested

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other 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 preliminary draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

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

9. **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 district, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Yosemite Unified School District named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

10. **HOLD HARMLESS**

FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

