FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

Calaveras Unified School District

Fiscal Health Risk Analysis

December 12, 2018

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Chief Executive Officer

Contents

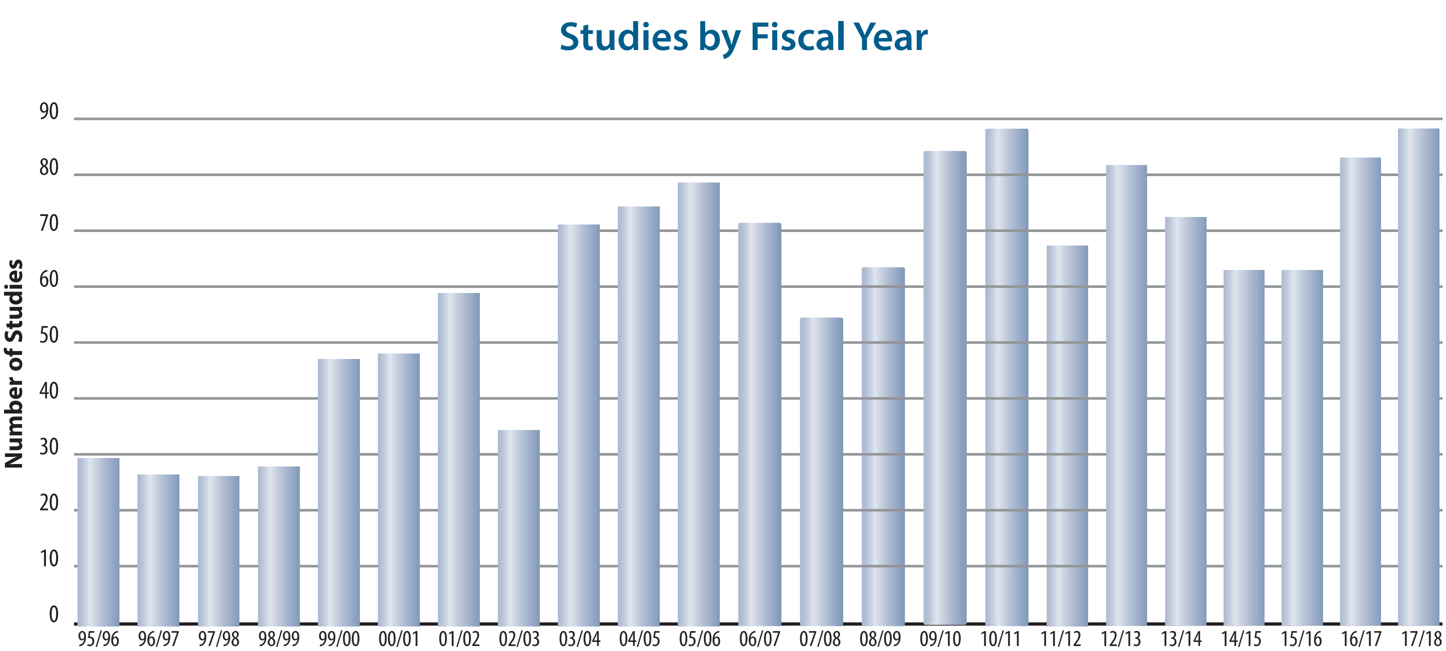
About FCMAT

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

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

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

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



FCMAT also develops and provides numerous publications, software tools, workshops and professional 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 statewide data management work. AB 1115 in 1999 codified CSIS' mission.

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

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

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

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

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

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

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

Study Guidelines

FCMAT entered into the study agreement with the Calaveras Unified School District on September 27, 2018.

FCMAT visited the district on October 15-17, 2018 to conduct interviews, collect data and review documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

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

Fiscal Health Risk Analysis

For K-12 Local Educational Agencies

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

The FHRA includes 20 sections, each containing specific questions. Each section and specific question is included based on FCMAT's work since the inception of Assembly Bill (AB) 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical to an organization, and lack of attention to these critical areas will eventually lead to financial insolvency and loss of local control.

The greater the number of "no" answers to the questions in the analysis, the higher the score, which points to a greater potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis, and not all questions within each section, carry equal weight; some are deemed more important and thus count more heavily toward or against a district's fiscal stability percentage. For this tool, 100% is the highest total risk that can be scored. A "yes" or "n/a" answer is assigned a score of 0, so the risk percentage increases only with a "no" answer.

To help the district, narratives are included for responses that are marked as "no" so the district can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

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

District or LEA Name: Calaveras Unified School District

Date of Fieldwork: October 15-17, 2018

Annual Independent Audit Report	Yes	No	N/A
• Can the district correct the audit findings without affecting its fiscal health (i.e., no material apportionment or internal control findings)?	☒	☐	☐
• Has the independent audit report been completed and presented to the board within the statutory timeline?	☒	☐	☐
• Did the district receive an independent audit report without material findings?	☒	☐	☐
• Has the district corrected all audit findings?	☒	☐	☐
• Has the district had the same audit firm for at least three years?	☐	☒	☐

The district changed audit firms to Vavrinek, Trine, Day & Co., LLP (VTD) in fiscal year 2016-17. All school districts in Calaveras County and the Calaveras County Office of Education are contracted to use the same audit firm.

Budget Development and Adoption	Yes	No	N/A
• Does the district develop and use written budget assumptions and projections that are reasonable, are aligned with the Common Message or county office of education instructions, and have been clearly articulated?	☒	☐	☐
• Does the district use a budget development method other than a rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	☒	☐	☐
• Does the district use position control data for budget development?	☒	☐	☐
• Is the Local Control Funding Formula (LCFF) calculated correctly?	☒	☐	☐

	Yes	No	N/A
• Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	☐	☒	☐

__2016-17 Adopted Budget__ was approved, but the county office noted deficit spending and indicated that "for 2019-20 and beyond, minimum reserves will not be maintained unless on-going expenditures are reduced."

__2016-17 First Interim__ was certified as positive and changed to qualified after review by the CCOE.

__2016-17 Second Interim__ was certified as qualified.

__2017-18 Adopted Budget__ was approved, but again the county office noted that the district "should be able to meet its financial obligations beyond the budget year for the required projection period. However, it is evident by the projections for 2020-21 and beyond, minimum reserves will not be maintained unless additional expenditure reductions are made."

__2017-18 First Interim__ was certified as qualified.

__2017-18 Second Interim__ was certified as qualified.

__2018-19 Adopted Budget__ was disapproved by the county office as it indicated that the district would "not be able to meet its financial obligations, including meeting the minimum required reserve."

	Yes	No	N/A
• Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	☒	☐	☐
• Are clear processes and policies in place to ensure that the district's Local Control and Accountability Plan (LCAP) and budget are aligned with one another?	☒	☐	☐
• When appropriate, does the district budget and expend restricted funds before unrestricted funds?	☒	☐	☐
• Are the LCAP and the budget adopted within statutory timelines established by Education Code sections 42103 and 52062, and are the documents filed with the county superintendent of schools no later than five days after adoption, or by July 1, whichever occurs first?	☒	☐	☐
• Has the district refrained from including carryover funds in its adopted budget?	☒	☐	☐
• Has the district refrained from using negative or contra expenditure accounts (excluding objects in the 5700s and 7300s and appropriate abatements in accordance with CSAM) in its budget?	☒	☐	☐
• Does the district adhere to a board-adopted budget calendar that includes statutory due dates and major budget development tasks and deadlines?	☐	☒	☐

The district does not have a board-approved budget calendar. An LCAP and budget development cycle diagram and timeline were provided to FCMAT. Through interviews, it became evident that board members, district administration and staff were aware of the process for the district's budget development and adoption. In addition, budget "study sessions" to discuss budgetary issues and questions are regularly held following board meetings. However, the board has not officially approved a calendar or process.

Budget Monitoring and Updates

	Yes	No	N/A
• Are actual revenues and expenses consistent with the most current budget?	☒	☐	☐
• Are budget revisions completed in the financial system, at a minimum, at each interim report?	☒	☐	☐

	Yes	No	N/A
• Are clearly written and articulated budget assumptions that support budget revisions communicated to the board, at a minimum, at each interim report?	☒	☐	☐
• Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system before the next financial reporting period?	☒	☐	☐
• Does the district provide a complete response to the variances identified in the criteria and standards?	☒	☐	☐
• Has the district addressed any deficiencies the county office of education has identified in its oversight letters?	☒	☐	☐
• Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	☒	☐	☐
• Does the district encumber salaries and benefits?	☒	☐	☐
• Are all balance sheet accounts in the general ledger reconciled, at a minimum, at each interim report?	☐	☒	☐

Balance sheet accounts are generally reconciled by the district at year-end.

Cash Management

	Yes	No	N/A
• Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?	☒	☐	☐
• Are all bank accounts reconciled with bank statements monthly?	☐	☒	☐

A review found that bank statements are reconciled, but they fall outside of the monthly timelines. Bank statements should be reconciled monthly by an employee independent of the individual who is assigned to the original transaction and recording.

	Yes	No	N/A
• Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	☒	☐	☐
• Does the district have a plan to address cash flow needs during the current fiscal year?	☒	☐	☐
• Does the district have sufficient cash resources in its other funds to support its current and projected obligations?	☐	☒	☐

The district's preschool program (fund 12) requires a contribution from the general fund to meet all of its financial obligations. The district is aware of this and is working on measures to ensure the program becomes self-sufficient.

	Yes	No	N/A
• If interfund borrowing is occurring, does the district comply with Education Code Section 42603?	☐	☒	☐

Per Education Code 42603, any district may temporarily transfer funds from one fund to another by governing board direction. The code allows borrowing monies between funds, but specifies that funds shall be "repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year."

The Calaveras County Treasury and the Calaveras County Office of Education allow the sharing of district funds without requiring district board action to transfer or borrow between funds. The county office's balancing cash documents for April through July 2018 identify negative fund balances for district and county office funds such as the capital facilities, cafeteria, special reserve and general funds. The district has been extended this privilege with records indicating it has been allowed to incur negative fund balances for certain months within the fiscal year. As district funds *are available in aggregate, the provision allowed in Education Code 42603 is not exercised to transfer moneys between funds.*

According to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) "a fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives…" The CSAM further states that the "principal role of funds is to demonstrate fiscal accountability. The financial transactions of LEAs are separated into various funds in order to permit administrators to ensure, and report on, compliance with the laws and regulations that affect LEAs." The consequence and concern with this arrangement of aggregating funds is the loss of fiscal control and accountability.

	Yes	No	N/A
• If the district is managing cash in all funds through external borrowing, has the district set aside funds attributable to the same year the funds were borrowed for repayment?	☐	☐	☒

Charter Schools

	Yes	No	N/A
• Are all charters authorized by the district going concerns?	☐	☐	☒
• Has the district fulfilled and does it have evidence of its oversight responsibilities in accordance with Education Code section 47604.32(d)?	☐	☐	☒
• Does the district have a board policy or other written document(s) regarding charter oversight?	☐	☐	☒
• Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?.	☐	☐	☒

Collective Bargaining Agreements

	Yes	No	N/A
• Has the district quantified the effects of collective bargaining agreements and included them in its budget and multiyear projections?	☒	☐	☐
• Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increases), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?.	☒	☐	☐
• Has the district settled the total cost of the bargaining agreements at or under the funded cost-of-living adjustment (COLA), and under gap funding if applicable?	☐	☒	☐

The district has not yet settled negotiations for current year, 2018-19.

In 2017-18, the district approved a 4% increase on the salary schedules of all certificated, classified, management and confidential employees, with additional adjustments varying by bargaining group. The substitute bargaining unit received a 5% increase in its daily compensation rate.

The district indicated in its AB 1200 disclosure that the cost of these negotiated settlements in aggregate was $1,375,707 for the 2017-18 fiscal year and that the cost continues to increase because of step and column and statutory benefit factors.

In contrast, the district unrestricted revenue increased by a COLA of 1.56% and 43.19% gap funding, which resulted in additional funding of $354,675 over 2016-17.

As a result of these negotiations, the district reported in its AB 1200 disclosure the need to reduce its expenditures starting in the 2018-19 fiscal year.

As reported in the 2018-19 Budget Criteria and Standards, the district's ratio of unrestricted salaries and benefits to total unrestricted expenditures has increased from 81.2% in 2015-16 to 86.4% in 2017-18 and is projected to increase to 87.6% in the 2018-19 budget year.

- If settlements have not been reached, has the district identified resources to cover the estimated costs of settlements? . . . . ☐ ☒ ☐

The 2018-19 budget includes resources to cover the increases in compensation costs because of step and column, pension contributions, and an increase in workers' compensation. No other nonstatutory increases have been included in the budget for current or future years.

Upon approval of raises for staff in October 2017, the board approved a reduction plan because it knew the district could not afford the salary increases. Therefore, the district developed a board approved list of budget reductions to eliminate the negative fund balance in 2019-20 and 2020-21. The list is sufficiently detailed in the 2018-19 revised budget narrative. However, the largest cost reduction, a decrease of nine teachers, is realized through an increase in class size in grades six through 12. A reduction in force would need to be negotiated; therefore, this cost savings component may be uncertain.

Additionally, an analysis of teachers by site and grade would be necessary to determine whether a reduction in force is achievable.

- Did the district comply with public disclosure requirements under Government Code 3540.2, 3543.2, 3547.5 and Education Code 42142? . . . . ☒ ☐ ☐
- Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? . . . . ☒ ☐ ☐
- Is the governing board's action consistent with the superintendent's and CBO's certification? . . . . ☒ ☐ ☐
- Has the district settled with all its bargaining units for at least the prior three year(s)? . . . ☒ ☐ ☐
- Has the district settled with all its bargaining units for the current year? . . . . ☐ ☒ ☐

The district negotiates with three represented bargaining units, including certificated (CUEA), classified (CSEA), and substitute (CASTA) employees.

The district has not settled negotiations for the 2018-19 fiscal year.

CUEA

The district is in communication with the CUEA, and dates for negotiations have been proposed but not agreed upon and established at the time of the FCMAT visit. The entire CUEA agreement is open for negotiations for the 2018-19 school year.

CSEA

The CSEA contract is effective through the 2018-19 fiscal year but has salary and benefits, along with two other articles as openers for negotiation in 2018-19. However, the unit has a "me too" compensation increase clause established since 2003-04 so this group will benefit from any increase negotiated with "any other group." The district and CSEA have scheduled a date to begin the 2019-20 negotiations.

CASTA

The CASTA agreement, last approved in January 2018, "shall remain in effect until replaced by a successor agreement."

Contributions and Transfers to Other Funds

	Yes	No	N/A
• Does the district have a plan to reduce and/or eliminate any increasing contributions from the general fund to other resources?	☐	☒	☐

For 2017-18, the district contributed $863,601 to the routine restricted maintenance account (the required contribution was $670,716) and $6,097,389 to the special education program.

The 2018-19 revised budget includes a yet-to-be-approved multiyear cost reduction plan that identifies $2,357,985 in reductions for 2019-20 and an additional $344,981 in reductions for 2020-21.

The 2019-20 reduction plan includes the reduction of 11 certificated, 15 paraprofessional and two custodial positions. In addition, reductions are proposed through the reconfiguration of the alternative education program and the reduction of a bus driver/route, a part-time mechanic, a business office position and an administrative position. Nonstaff cost reductions will be realized through a reduction of restricted maintenance supplies, lottery allocations to school sites, and unrestricted department budgets.

For 2020-21, the loss of two additional certificated positions and another district office position, as well as further cuts to site allocations, are planned.

	Yes	No	N/A
• If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the general fund to cover the deficit spending?	☐	☒	☐

Fund 13

The district 2018-19 revised budget includes projections that involve support for cafeteria fund. The food service program is projected to deficit spend, the cafeteria fund ending balance is expected to be fully depleted in the 2018-19 year, and continued deficit spending will require a general fund contribution of $130,336 in 2019-20 and $154,837 in 2020-21.

Fund 25

The district uses funds received from developer fees as the primary source of repayment for its certificate of participation debt with the balance paid out of the general fund.

The debt service schedule is as follows:

Payment Schedule

Budget Year	2002 Certificates	2013 Certificates	Total
2018-19		$518,818.76	$518,818.76
2019-20		$525,043.76	$525,043.76
2020-21		$529,881.26	$529,881.26
2021-22		$532,693.76	$532,693.76
2022-23		$543,818.76	$543,818.76
2023-24		$544,343.76	$544,343.76
2024-25		$549,025.76	$549,025.76
2025-26		$557,362.51	$557,362.51
2026-27	$150,000.00	$411,834.38	$561,834.38
2027-28	$155,000.00		$155,000.00
2028-29	$160,000.00		$160,000.00
2029-30	$165,000.00		$165,000.00
2030-31	$175,000.00		$175,000.00
2031-32	$180,000.00		$180,000.00
2032-33	$190,000.00		$190,000.00
2033-34	$195,000.00		$195,000.00
2034-35	$205,000.00		$205,000.00
2035-36	$215,000.00		$215,000.00

The district collected $440,130 in developer fees for 2017-18 and has budgeted to collect $400,000 in the 2018-19 fiscal year. As developer fees are collected from new construction permits issued, there is little assurance that these funds will continue with any consistency, and the district cannot rely on this as a sole repayment source without a contingency plan. Absent an alternative plan, the general fund would be required to make the debt service payment, which is not currently included in the district's multiyear projection.

- If any transfers were required for other funds in the prior two fiscal years, and the need is recurring in the current year, did the district budget for them? . . . . ☒ ☐ ☐

Deficit Spending Yes No N/A

- Is the district avoiding a structural deficit in the current and two subsequent fiscal years? (A structural deficit is when ongoing unrestricted expenditures and contributions exceed ongoing unrestricted revenues.) . . . . ☐ ☒ ☐

In that most restricted programs are self-supporting; the analysis of deficit spending focuses primarily on the unrestricted general fund. Structural deficit spending, in contrast to planned deficit spending or when a district intentionally spends down some of its reserves, is financially unsustainable. Beginning with the 2016-17 fiscal year, the unrestricted general fund was reviewed to identify structural deficit spending.

Unrestricted General Fund	Unaudited Actuals 2016-17	Unaudited Actuals 2017-18	Adopted Budget (Rev.) 2018-19	Projected 2019-20	Projected 2020-21
Beginning Balance	4,115,483	4,831,790	3,506,394	2,136,350	1,689,633
Audit Adjustments	-	-	-	-	-
Revenues	27,548,123	27,906,760	27,723,445	27,414,996	27,491,634
Expenditures	21,249,988	22,271,167	22,068,866	20,775,228	20,848,996
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	6,298,135	5,635,593	5,654,579	6,639,768	6,642,638
Transfers In	-	-	-	-	-
Transfers Out	85,586	-	11,851	130,336	154,837
Contributions to Restricted Programs	(5,496,243)	(6,960,990)	(7,012,771)	(6,956,149)	(7,129,234)
Net Increase (Decrease) in Fund Balance	716,307	(1,325,397)	(1,370,044)	(446,717)	(641,433)
Ending Balance	4,831,790	3,506,394	2,136,350	1,689,633	1,048,200

Rounding used in calculations

Structural deficit spending, which begins in the 2017-18 fiscal year, continues in 2018-19 and the two subsequent fiscal years despite the inclusion of budget reductions. Deficit spending in 2018-19 is also projected in other funds, reducing the balance to zero in the cafeteria (fund 13), deferred maintenance (fund 14), and special reserve fund for capital outlay projects (fund 40). Deficit spending in other funds is a serious issue if contributions from the general fund will be required to balance them, further exacerbating the unrestricted general fund deficit spending pattern.

- Is the district avoiding deficit spending in the current fiscal year? . . . . ☐ ☒ ☐

  The district projects an approximately $1.4 million decrease to the 2018-19 unrestricted general fund ending balance despite the use of one-time mandate reimbursement revenue to offset operational costs.

- Is the district projected to avoid deficit spending in the two subsequent fiscal years? . . . ☐ ☒ ☐

  The district projects a $446,717 decrease to the 2019-20 unrestricted general fund balance and a $641,433 decrease to the 2020-21 unrestricted general fund balance despite the inclusion of budget reductions. The 2020-21 ending fund balance will effectively just be slightly over the required 3% reserve for economic uncertainties.

- If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending? . . ☐ ☒ ☐

  A budget reduction plan was approved by the board of trustees at the September 2018 meeting to eliminate the negative fund balance in 2019-20 and 2020-21. Although the district has a plan to reduce spending, no plan has been approved to eliminate structural deficit spending.

- Has the district decreased deficit spending over the past two fiscal years? . . . . ☐ ☒ ☐

  The 2016-17 unrestricted general fund experienced an increase to the fund balance $716,307 while the 2017-18 unrestricted general fund experienced a decrease of $1,325,397.

Employee Benefits

	Yes	No	N/A
• Has the district completed an actuarial valuation to determine its unfunded liability under Governmental Accounting Standards Board (GASB) other post-employment benefits (OPEB) requirements?	☒	☐	☐
• Does the district have a plan to fund its liabilities for retiree benefits?	☒	☐	☐
• Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?	☒	☐	☐
• Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	☒	☐	☐
• Does the district track and reconcile employees' leave balances?	☒	☐	☐

Enrollment and Attendance

	Yes	No	N/A
• Has the district's enrollment been increasing or stable for the current and three prior years?	☐	☒	☐

This district has experienced declining enrollment for 15 years. According to certified DataQuest enrollment information, the district has lost 63 students a year from 2015-16 to 2016-17 and 2016-17 to 2017-18. The district has projected an additional loss of 55 student for fiscal year 2018-19.

Enrollment by School Site	2018-19 Adopted Budget	2017-18 CALPADS	2016-17 CALPADS	2015-16 CALPADS
Calaveras High	824	837	885	947
Calaveras Unified Alternative - Sierra Hills Ed Ctr	40	40	52	45
Gold Strike High	37	46	37	25
Jenny Lind Elem	522	512	519	515
Mokelumne Hill Elem	97	84	81	80
NPS School Group for Calaveras Unified		8	11	6
Rail Road Flat Elem	59	62	65	46
San Andreas Elem	252	264	266	285
Toyon Middle	422	440	450	461
Valley Springs Elem	476	485	479	493
West Point Elem	86	92	88	93
	2,815	2,870	2,933	2,996

	Yes	No	N/A
• Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second reporting period (P2)?	☒	☐	☐
• Does the district track historical enrollment and ADA data to establish future trends?	☐	☒	☐

The district does not track historical enrollment and ADA together to establish trends within the district. The superintendent handles the enrollment projections and works with site administrators to assist them with staffing configurations for the upcoming school year. The chief business official (CBO) maintains the ADA projections and uses an average of the past four years to project current year and future ADA, but does not include enrollment trends in this analysis. Cohort survival is a forecasting technique for enrollment, that groups students together by grade level on entry and tracks them through each year they stay in school. This method evaluates the longitudinal data on *the number of students that pass from one grade to the next in the subsequent year. In doing so, it more closely accounts for retention, dropouts, and new and departing students by grade enrollment trends. ADA projections should be a compared to historical and projected enrollment. This method evaluates the retention of student attendance when compared to enrollment.*

- Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district level? . . . . ☒ ☐ ☐
- Did the district certify its California Longitudinal Pupil Achievement Data System (CALPADS) Fall 1 data by the required deadline? . . . . ☒ ☐ ☐
- Are the district's enrollment projection and assumptions based on historical data, industry-standard methods, and other reasonable considerations? . . . . ☐ ☒ ☐

  The district projects enrollment by eliminating the outgoing 12th-grade class and uses the current year kindergarten enrollment for next year's projections. Typically the outgoing senior class has been significantly larger than the estimated incoming kindergarten class.

  Cohort survival, the more commonly used method, is usually the best choice for local education agencies because of its sensitivity to incremental changes to several key variables including:

  Birth rates and trends

  The historical ratio of enrollment progression between grade levels

  Changes in educational programs

  Migration patterns

  Changes in local and regional demographics

- Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines? . . . . ☒ ☐ ☐
- Has the district planned for enrollment losses to charter schools? . . . . ☐ ☒ ☐

  As stated above the current enrollment projection only accounts for the difference between the outgoing 12th-grade graduating class and the estimated incoming kindergarten class.

- Has the district developed measures to mitigate the effect of student transfers out of the district? . . . . ☐ ☒ ☐

  According to district interviews, the district loses a lot of students to other educational opportunities that it cannot offer.

- Does the district meet the average class enrollment for each school site of no more than 24-to-1 class size ratio in K-3 classes or does it have an alternative collectively bargained agreement? . . . . ☒ ☐ ☐

Facilities Yes No N/A

- If the district participates in the state's School Facilities Program, has it met the 3% Routine Repair and Maintenance Account requirement? . . . . ☒ ☐ ☐
- Does the district have sufficient building funds to cover all contracted obligations for capital facilities projects? . . . . ☒ ☐ ☐
- Does the district properly track and account for facility-related projects? . . . . ☒ ☐ ☐

	Yes	No	N/A
• Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	☒	☐	☐
• Does the district include facility needs when adopting a budget?	☐	☒	☐

The deferred maintenance 5-year plan developed in 2016 identified a total of $5 million in projects and planned to address them with approximately $1 million each year. The district has not been able to fully fund the plan. The district expended $27,477 for deferred maintenance in 2017-18 and has budgeted to expend $64,437 in 2018-19.

District administration and board expressed the desire to seek a new general obligation bond in 2020 to address district facility needs.

In the 2018-19 revised budget, the district has budgeted $925,536 for the routine restricted maintenance account, which is significantly over the minimum required contribution of $670,746. However, this budget is largely used for the salaries and benefits of maintenance and operations staff and operational supplies with approximately $50,000 remaining to address other maintenance expenses.

The budget for facility improvements is provided through a Proposition 39 energy efficiency grant for heating, ventilation and air conditioning (HVAC) and lighting and a State Water Resources Board grant for wastewater treatment plants. The district anticipates fully expending these funds in the 2018-19 fiscal year.

Facilities conditions as evaluated by an independent agency and reported on the Williams Act Facilities Inspection Tool (FIT) identified sites in fair condition with most issues related to the need for housekeeping, painting, carpet and minor roof repair.

	Yes	No	N/A
• Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	☒	☐	☐
• If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	☐	☐	☒
• Does the district have an up-to-date long-range facilities master plan?	☐	☒	☐

The district does not have an up-to-date long-range facilities master plan. The district has a 5-year plan for the deferred maintenance program for 2016 through 2021. The plan itemizes major projects for each school site and includes estimated costs for each project. District administration acknowledged the need to develop and implement a comprehensive facilities plan, but also acknowledged there are limited fiscal resources to do so; therefore, it was considered a low priority.

Fund Balance and Reserve for Economic Uncertainty

	Yes	No	N/A
• Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Funds 01 and 17) as defined by criteria and standards?	☒	☐	☐
• Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☒	☐	☐
• If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	☐	☒
• Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	☐	☒	☐

The unrestricted general fund balance is projected to decrease in each subsequent fiscal year. Of concern is that the fund balance drops to approximately 3.13% in 2020-21, only slightly higher than the required minimum reserve for economic uncertainties.

Fiscal Year	Reporting Period	Required 3% Reserve	Reported Fund Balance Reserves	Total Unrestricted Fund Balance
2016-17	Unaudited Actuals	883,000	883,000	4,831,790
2017-18	Unaudited Actuals	963,000	963,000	3,506,394
2018-19	Adopted Budget (Rev.)	997,433	998,000	2,136,350
2019-20	Projected Budget	899,026	900,000	1,689,633
2020-21	Projected Budget	907,176	908,000	1,048,200

- If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted fund balance include any assigned or committed reserves above the recommended reserve level? . . . . ☐ ☒ ☐

The district issued certificates of participation (COPs) in 2002 with the debt service paid from the developer fee fund. However, revenue collection in this fund has decreased significantly since the COPs were originally issued, potentially requiring payment from the unrestricted general fund.

Based on the debt schedule contained in the 2017 Calaveras USD Annual Financial Report, the 2019 annual payment will be $518,819 increasing annually through 2026 and continuing through 2036. Revenue collection in the fund was $440,130 in 2017-18 and is projected to be $400,000 in 2018-19; the projected ending fund balance in 2018-19 is $43,031. Absent a significant increase in these fund revenues, the unrestricted general fund budget will be affected in the 2019-20 fiscal year.

Fund 25	Unaudited Actuals 2015-16	Unaudited Actuals 2016-17	Unaudited Actuals 2017-18	Adopted Budget (Rev.) 2018-19
Beginning Balance	96,577	107,714	147,671	46,531
Audit Adjustments	-	-	-	-
Revenues	456,651	560,725	440,130	400,000
Expenditures	12,144	-	18,401	3,500
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and uses	444,506	560,725	421,729	396,500
Transfers In	-	-	-	-
Transfers Out	433,369	520,769	522,869	400,000
Contributions to Restricted Programs	-	-	-	-
Net Increase (Decrease) in Fund Balance	11,137	39,956	(101,140)	(3,500)
Ending Balance	107,714	147,671	46,531	43,031

Additionally, the district projects expending all remaining monies in the deferred maintenance funds in 2018-19, and no other sources have been designated for deferred maintenance. While the district does budget in excess of the minimum required for the 2018-19 routine restricted maintenance program, these funds may be insufficient to meet the repair and maintenance needs of the district's facilities. Any costs of repair and maintenance beyond the amount available in routine restricted maintenance would be an increased financial burden to the unrestricted general fund.

Fund 14	Unaudited Actuals 2015-16	Unaudited Actuals 2016-17	Unaudited Actuals 2017-18	Adopted Budget (Rev.) 2018-19
Beginning Balance	126,863	345,539	422,096	341,050
Audit Adjustments	-	-	-	-
Revenues	252,192	178,376	297,054	209,928
Expenditures	33,516	101,819	378,100	550,978
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and uses	218,676	76,557	(81,046)	(341,050)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Contributions to Restricted Programs	-	-	-	-
Net Increase (Decrease) in Fund Balance	218,676	76,557	(81,046)	(341,050)
Ending Balance	345,539	422,096	341,050	-

General Fund - Current Year

	Yes	No	N/A
• Does the district ensure that one-time revenues do not pay for ongoing expenditures?	☐	☒	☐

The district used one-time mandate reimbursement revenue to offset operating expenditures in the 2018-19 budget. The use of these monies subsidizes approximately 2% of the projected expenditures ($492,056). The district has adjusted the 2019-20 budget to reflect these expenditures returning to the unrestricted general fund.

	Yes	No	N/A
• Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or under the statewide average for the current year?	☐	☒	☐

The 2018-19 projected unrestricted general fund salaries and benefits are 87.6% of the budget. The statewide average for unified school districts as of 2016-17 (the latest data available) is 84.63%.

	Yes	No	N/A
• Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the three prior years?	☐	☒	☐

While the district was below the statewide average in 2015-16, the percentage was higher than the statewide average in 2016-17 and is projected to continue increasing.

	CUSD	Statewide Average - Unified School District
2015-16	81.2%	83.86%
2016-17	87.1%	84.63%
2017-18	86.4%	Not yet available
2018-19	87.6%	Not yet available

	Yes	No	N/A
• If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding, is the district addressing the complaint(s)?	☐	☐	☒
• Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	☒	☐	☐

- Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? ☐ ☒ ☐

  Unspent monies have carried over from one fiscal year to the next for several programs. While these monies are tied to restricted programs, they can be used to maximize the unrestricted general fund expenditures.

	2015-16	2016-17	2017-18
Medi-Cal Billing Option	99,363	106,058	107,866
Lottery: Instructional Materials	169,822	130,306	44,452
College Readiness Block Grant	-	88,148	80,334
Educator Effectiveness Grant	246,100	125,277	-
Microsoft Voucher Reimbursement	62,151	30,385	14,121
Career Technical Education Reserve	261,686	260,173	260,240
Routine Restricted Maintenance	29,799	-	-
Site Donations	54,137	37,547	37,250
Total Restricted Balance	923,058	777,894	544,263

- Does the district consistently account for all program costs, including allowable indirect costs, for each restricted resource? ☐ ☒ ☐

  The district indicates it does not charge indirect/direct costs to programs or funds if a restricted program will require a general fund contribution in the same fiscal year.

Information Systems and Data Management — Yes / No / N/A

- Does the district use an integrated financial and human resources system? ☒ ☐ ☐
- Can the system(s) provide key financial and related data, including personnel information, to help the district make informed decisions? ☒ ☐ ☐
- Does the district accurately identify students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? ☒ ☐ ☐
- Is the district using the same financial system as its county office of education? ☒ ☐ ☐
- If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education? ☐ ☐ ☒
- If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance? ☐ ☐ ☒

Internal Controls and Fraud Prevention — Yes / No / N/A

- Does the district have controls that limit access to and authorizations within its financial system? ☒ ☐ ☐
- Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (i.e. resignations, terminations, promotions or demotions) and at least annually? ☒ ☐ ☐
- Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:

  - Accounts payable (AP) ☐ ☒ ☐
  - Accounts receivable (AR) ☐ ☒ ☐
  - Purchasing and contracts ☐ ☒ ☐
  - Payroll ☒ ☐ ☐
  - Human resources ☒ ☐ ☐
  - Associated student body (ASB) ☒ ☐ ☐
  - Warehouse and receiving ☐ ☒ ☐

    Internal controls systems are the foundation of sound financial management and allow districts to fulfill their educational mission while helping to ensure operations, reliable financial information and legal compliance. Internal controls help protect the district from material weaknesses, serious errors and fraud. While the district has not had any significant audit findings related to internal control deficiencies, the district should apply basic concepts and procedures to its transactions and reporting processes.

    The district does not have desk manuals for procedures detailing the various job responsibilities within the district office. Because it is a small organization with few employees overall, it is imperative that the district create a desk manual for each position that outlines the procedures needed to successfully complete each job function.

    Accounts payable and purchasing staff do not follow proper segregation of duties in that they touch a transaction from initiation to completion. Instead of each position receiving the checks for the data he or she has entered, the district should require that they receive each other's checks to ensure a system of checks and balance. Additionally, the purchasing desk should not handle the receiving of the purchased items. To ensure proper segregation of duties, a different employee should handle the receiving of all purchased items.

- Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year? ☒ ☐ ☐
- Does the district review and clear prior year accruals by first interim? ☐ ☒ ☐

    FCMAT could not verify if this occurred during the fiscal year; staff stated during interviews that balance sheet accounts are reconciled by the district at year-end closing.

- Does the district reconcile all suspense accounts, including salaries and benefits, at least at each interim reporting period and at the close of the fiscal year? ☐ ☒ ☐

    FCMAT could not verify if this occurred during the fiscal year; staff stated during interviews that balance sheet accounts are reconciled by the district at year-end closing.

- Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? ☒ ☐ ☐
- Does the district have processes and procedures to discourage and detect fraud? ☒ ☐ ☐
- Does the district maintain an independent fraud reporting hotline or other reporting service(s)? ☐ ☒ ☐

    Interviews indicated the district has not outlined a clear process on how to handle possible fraud for employees. Per Board Policy 3400, "…the superintendent or designee shall establish a method for employees and outside persons to anonymously report any suspected instances of fraud, impropriety, or irregularity." The superintendent should establish a written procedure and communicate it regularly to district staff so they know how to report any suspicion of fraud.

	Yes	No	N/A
• Does the district have a process for collecting and following up on reports of possible fraud?	☐	☒	☐

As stated above district employees were unaware of how to report any suspicions of fraud, which makes follow up unlikely. However, BP 3400 states the following:

> *The Superintendent or designee shall have primary responsibility for any necessary investigations of suspected fraud, impropriety, or irregularity, in coordination with legal counsel, the district's auditors, law enforcement agencies, or other governmental entities, as appropriate.*
>
> *The Superintendent or designee shall provide regular reports to the Board on the status of the district's internal control procedures and recommend any necessary revisions to related Board policies or administrative regulations.*

	Yes	No	N/A
• Does the district have an internal audit process?	☐	☒	☐

The district does not have an internal audit process, but has taken steps to remedy any areas identified by the auditors as an area of weakness.

Leadership and Stability

	Yes	No	N/A
• Does the district have a chief business official who has been with the district more than two years?	☒	☐	☐
• Does the district have a superintendent who has been with the district more than two years?	☒	☐	☐
• Does the superintendent meet regularly with all members of their administrative cabinet?	☒	☐	☐
• Is training on financial management and budget offered to site and department administrators who are responsible for budget management?	☒	☐	☐
• Does the governing board adopt and revise policies and administrative regulations annually?	☒	☐	☐
• Are newly adopted or revised policies and administrative regulations communicated to staff and implemented?	☐	☒	☐

Policies are regularly agendized for review, revision, and adoption by the board of trustees. However, interviews determined and district administration and staff confirmed that there is no process to communicate and implement the newly adopted or revised policies and administrative regulations.

	Yes	No	N/A
• Is training on the budget and governance provided to board members at least every two years?	☒	☐	☐
• Is the superintendent's evaluation performed according to the terms of the contract?	☒	☐	☐

Multiyear Projections

	Yes	No	N/A
• Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	☒	☐	☐
• To help calculate its multiyear projections, did the district prepare an LCFF calculation with multiyear considerations?	☒	☐	☐
• Does the district use its most current multiyear projection when making financial decisions?	☒	☐	☐

Nonvoter-Approved Debt and Risk Management

	Yes	No	N/A
• Are the sources of repayment for nonvoter-approved debt stable {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others}, predictable, and other than unrestricted general fund?	☐	☒	☐

The district issued nonvoter-approved debt in the form of COPs in 2013 totaling $6,060,000.

The funds from this issue were to provide for the following:*

1) *To refund $1,065,000 of COP principal issued in 2002 to finance the district's central administration, maintenance, operations and transportation center.*
2) *To refund $5,095,000 of COP principal issued in 2004 to refund the COP issued in 1994.*
3) *To purchase a municipal bond debt service reserve insurance policy for the certificate reserve fund.*
4) *To pay the costs incurred in the execution and delivery of the certificates.*

**Additional funds available from 2004 certificates were used in complement. The 2004 COP was retired. The outstanding principal of $407,782 for the 2002 COP remained.*

The district uses funds received from developer fees as the primary source of repayment with the balance paid out of the general fund. The district collected $440,130 in developer fees for 2017-18 and has budgeted to collect $400,000 in the 2018-19 fiscal year. As developer fees are collected from new construction permits issued, there is little assurance that these funds will continue with any consistency, and the district cannot depend on this as a sole repayment source without a contingency plan. Absent an alternative plan, the general fund would be required to make the debt service payment.

The district last filed a continuing disclosure report on March 1, 2018 for the year ending June 30, 2017. The report indicated that no significant events occurred for that period that would adversely affect the ability to repay or otherwise affect the security of the debt.

In general, annual debt service is considered of significant concern if it equals 2% of the general fund revenue or greater. With revenue projections identified in the 2018-19 budget, the current district debt repayment schedule is a significant burden as it constitutes 1.93% of the general fund unrestricted revenue for 2019-20 and 1.95% for 2020-21.

	Yes	No	N/A
• If the district has issued nonvoter-approved debt, has its credit rating remained stable or improved?	☒	☐	☐
• If the district is self-insured, does the district have a recent (every 2 years) actuarial study and a plan to pay for any unfunded liabilities?	☐	☐	☒
• If the district has nonvoter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	☒	☐	☐

Position Control

	Yes	No	N/A
• Does the district account for all positions and costs?	☒	☐	☐
• Does the district analyze and adjust staffing based on staffing ratios and enrollment?	☐	☒	☐

The district follows negotiated student-teacher ratios per the CUEA contract. While staffing ratios are enforced at the maximum value, lower class sizes exist in part because of the geographical distribution of students by grade and site. Declining enrollment throughout the district further exacerbates the geographical distribution of students. To increase staffing ratio efficiency, the district may consider negotiating an increase to class size in grades six through 12, the creation of combination classes where possible, and/or reducing the number of school facilities.

- Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and interim reporting periods? . . . . ☒ ☐ ☐
- Does the district identify a budget source for each new position before the position is authorized by the governing board? . . . . ☒ ☐ ☐
- Does the governing board approve all new positions before positions are posted? . . . . ☒ ☐ ☐
- Does the district have board-adopted staffing ratios for certificated, classified and administrative positions? . . . . ☐ ☒ ☐

    The district observes staffing ratios for teachers only based on a negotiated student-teacher ratio.

- Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes? . . . . ☒ ☐ ☐

Special Education — Yes / No / N/A

- Are the district's staffing ratios, class sizes and caseload sizes in accordance with statutory requirements and industry standards? . . . . ☒ ☐ ☐
- Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? . . . . ☒ ☐ ☐
- Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?. . . . . ☐ ☒ ☐

    The district recently hired two new directors of educational services, both with some special education knowledge. The district uses the student study team (SST) process and the individualized education program (IEP) process to identify services for occupational therapy/physical therapy/adaptive physical education (OT/PT/APE) as well as counseling. Interviews indicated that the district is working with the special education local plan area (SELPA) to develop countywide processes and procedures for identifying appropriate services. The district and SELPA are looking to develop a rubric and/or a flow chart for the IEP teams to determine more restrictive services as well as the development of a fade plan process that will start when a student begins services and will be reviewed throughout the period of the annual IEP. However, at the time of FCMAT's visit, these had not been implemented, so students were not making progress to become independent or working toward a less restricted educational placement.

- Does the district account correctly for all costs related to special education (e.g., transportation, indirect costs, service providers)? . . . . ☒ ☐ ☐
- Is the district's contribution rate to special education at or below the statewide average contribution rate? . . . . ☐ ☒ ☐

    According to the report titled "Coalition for Adequate Funding for Special Education; 2016-17 Maintenance of Effort Reports by Special Education Local Plan Area," the statewide average unrestricted general fund contribution to special education was 64.5% for the 2016-17 fiscal year.

The district's unrestricted general fund contribution to special education was 71% of total special education expenditures in 2015-16, 88% in 2016-17, 97% in 2017-18 and is projected to be 100% for fiscal year 2018-19.

Under AB 602, special education funding is based on the ADA of all students in a school district, regardless of the number of students served in special education programs or the cost to serve them. California distributes special education funds to SELPAs based on their member districts' total ADA counts. The district is part of the Calaveras County SELPA, which has a total of four school districts and one county office.

The special education finance reporting methods used by districts, county offices, and SELPAs can vary. For example, some districts include transportation, while others do not. There also are variations in how special education funds are allocated through a SELPA's approved allocation plans. The current allocation model approved by all districts in the Calaveras County SELPA is an off-the-top model. This basically means that all funds first come to the SELPA, which pays for expenses for services provided and programs it operates on behalf of the districts, and any remaining funds are allocated to districts based on ADA. In 2017-18, the SELPA's costs exceeded available revenue, so districts were billed excess costs based on the ADA. The district projects to receive no special education funds for the current fiscal year; therefore, the unrestricted general fund contribution to the program will be 100% of the expenditures.

- Is the district's rate of identification of students as eligible for special education comparable with countywide and statewide average rates? . . . . ☐ ☒ ☐

The district's identification rate for the 2017-18 school year was 20.8%, which is 9.3% higher than the 11.5% statewide average rate for students of similar age enrolled in special education. However, the countywide average is also above the statewide average at 18.8%. Overall the district has declined in total student enrollment while the identification of special education students has increased year over year. The district exceeds the state averages in a few disability categories, but most significantly in speech/language impairment and other health impairment. The root cause of the possible overidentification in both eligibility areas should be determined.

- Does the district monitor, and reconcile the billing for, any services provided by nonpublic schools and/or nonpublic agencies? . . . . ☐ ☐ ☒
- Does the district analyze and plan for the costs of due process hearings?. . . . . ☐ ☐ ☒
- Does the district analyze whether it will meet the maintenance of effort (MOE) requirement at each reporting period? . . . . ☐ ☒ ☐

The Special Education Maintenance of Effort (SEMOE) reports are used to determine if a local educational agency (LEA) met the maintenance of effort required by the federal Individuals with Disabilities Education Act (IDEA) and implementing regulations. In summary, an LEA may not reduce the amount of state and local, or local-only funds that it spends for educating children with disabilities to less than the amount that it spent in the previous year, with a few exceptions. To assist LEAs and SELPAs in monitoring their MOE compliance during each fiscal year, the SACS software includes an MOE report in the interim periods. The report, SEMAI, compares the current year special education projected expenditures with the prior year actual expenditures to determine if the required level of fiscal effort will be met at the end of the year. While the SEMAI is not required, the district should complete this report to monitor its MOE compliance. Failing to meet the MOE requirement could affect future funding. During

FCMAT's review of the interim reports as submitted to the board of trustees, the team did not find a completed SEMAI form. This suggests that the district does not analyze whether it meets the maintenance of effort requirement.

Total Risk Score, All Areas	**31.7%**

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

Summary

The governing board is responsible for the district budget. Management must present sound financial information supported by trend analysis, budget assumptions and multiyear projections based on accurate data so the board can make informed decisions.

The district shows several signs of fiscal distress. Of particular concern are the salary increases approved by the board on December 12, 2017. On December 6, 2017, the county office noted that it did not receive the original AB 1200 disclosure documents with the required signatures from the superintendent and the chief business official certifying that the district could meet the costs incurred by the bargained agreements. FCMAT's interviews indicated that both administrators knew that the district could not afford these increases in the long term and therefore were not willing to sign these documents without the governing board approving an expenditure reduction plan. However, as outlined above, the largest cost reduction, a decrease of nine teachers, is realized through an increase in class size in grades six through 12. Because changes to class size would need to be negotiated, this cost savings component may be unrealistic. Additionally, an analysis of teachers by site and grade would be necessary to determine whether increasing class size is achievable, regardless of a contract language change, based on the current campus student count and configurations.

An additional concern is the fact that the deferred maintenance (14), capital projects (40) and capital facilities (25) funds are projected to be depleted as of the end of this coming fiscal year. The district has depleted all resources for the deferred maintenance and capital facilities funds, meaning the general fund would have to bear all of the burden in case of a facilities-related emergency. The district uses funds received from developer fees in the capital facilities funds to cover the repayment of its COP debt. Should these revenues not be realized in the subsequent years, the general fund would be burdened with this ongoing debt payment.

The purpose of a cash flow statement is to project the timing of receipts and expenses so an organization can understand its cash needs monthly or even daily. The cash flow statement reflects the district's liquidity and ability to meet its current payroll and other required obligations. As an analytical tool, the cash flow analysis should not be confused with the district's budget and fund balance; it excludes transactions that do not directly affect cash receipts and payments. Multiyear cash flow projections help provide for more informed decision making and the ability to forecast the fiscal impact of current decisions. The cash flow projections should continue to be updated each month to accurately account for all revenues, expenditures and other changes related to cash. The district does not project a negative cash balance for the current or first subsequent year. However, if the district does not address its structural deficit, it could be faced with fiscal insolvency. While the county treasurer sees all school funds as one fund, which is not a recommended industry standard or a best practice, the district could be faced with a significant cash flow concern if it relied on fund 51- bond revenues, and there is not sufficient cash remaining in the fund to make the general obligation bond debt service payment. Additionally, should the general fund be affected by a facilities emergency or the COP debt service payment, it is uncertain whether the district would have the available funds to remain fiscally solvent.

The increasing costs of programs and services for special needs students also contributes significantly to the district's rapidly declining fiscal position, in part because of the effect of automatic increases to salaries and benefits. A lack of collaboration and oversight of special education services may have allowed for staffing increases, such as paraprofessionals, that do not contribute to the most efficient, effective delivery of services. As a priority, the district should perform a detailed examination of special education programs and services.

Enrollment and ADA projections are essential components of any MYFP. The district's enrollment and ADA projections show declining enrollment for 2018-19 and the two subsequent fiscal years. Enrollment projections help identify changes that may significantly affect an LEA's estimated revenue in subsequent years. When prepared in a timely manner, they also provide key information for determining instructional priorities, grade level configurations, and/or potential boundary changes. Enrollment projections need to be prepared regularly and with sufficient detail by grade level to monitor and project class sizes in subsequent years.

Historical enrollment and attendance patterns help identify potential changes in grade level enrollment in future years. The district should use the weighted average cohort survival method, which groups students by grade level on entry and tracks them through each year they stay in school. This method evaluates the longitudinal data on the number of students that pass from one grade to the next in the subsequent year. In doing so, it more closely accounts for retention, dropouts, and new and departing students by grade enrollment trends. The weighted average provides greater emphasis on more recent enrollment trends.

The district should take immediate action to avoid further erosion of its reserve levels and a possible fiscal emergency.