

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis and Budget Review

September 24, 2024



Yuba Community College District

Michael H. Fine
Chief Executive Officer

September 24, 2024

Kuldeep Kaur, Vice Chancellor, Administrative Services
Yuba Community College District
3301 E. Onstott Road
Yuba City, CA 95991

Dear Vice Chancellor Kaur:

In February 2024, the Yuba Community College District, in coordination with the California Community Colleges Chancellor's Office, and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to perform a fiscal health risk analysis, as well as review the district's budgeting practices and multiyear projections. The agreement stated that FCMAT would perform the following:

1. Fiscal Health Risk Analysis

Prepare an analysis using FCMAT's Fiscal Health Risk Analysis tool to identify the district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

2. District Budget Review

Review the district's 2023-24 budget and multiyear projections to determine the reasonableness of the assumptions used to develop its revenue and expenditure projections, including economic factors, operational conditions and other factors affecting the district. Make recommendations if appropriate.

This final report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Yuba Community College District and extends our thanks to the district staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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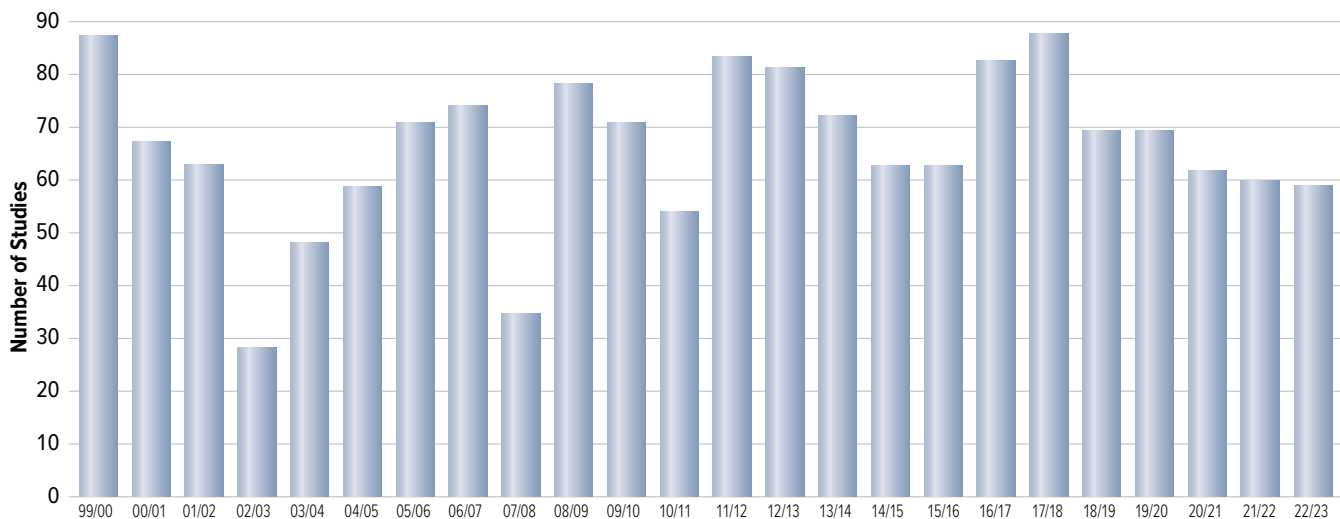
About FCMAT

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

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

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

Studies by Fiscal Year



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

FCMAT was created by Assembly Bill (AB) 1200 in 1991 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

The Yuba Community College District was established in 1927. It spans eight counties and more than 4,000 square miles in north-central California. The district has two colleges, Yuba College and Woodland Community College, which serve more than 13,000 students in the northern Sacramento Valley.

In February 2024, the California Community Colleges Chancellor's Office (CCCCO) asked the Fiscal Crisis and Management Assistance Team (FCMAT) to perform a Fiscal Health Risk Analysis (FHRA) and to review the district's budget and multiyear projections.

Study and Report Guidelines

FCMAT visited the district on March 25-26, 2024 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Fiscal Health Risk Analysis.
- Fiscal Health Risk Analysis Summary.
- Additional Findings and Recommendations.
- Appendices.

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:

Jeffrey B. Potter, CFE	Cambridge West Partnership
FCMAT Intervention Specialist	FCMAT Consultant

John Lotze
FCMAT Technical Writer

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

About the Analysis

FCMAT has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a community college district’s fiscal health and risk of insolvency in the current and two subsequent fiscal years. The FHRA assesses a community college district’s ability to develop and execute a sustainable financial plan.

The FHRA includes 18 sections, each containing specific questions. Each section and specific question is included based on FCMAT’s work since its inception; 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 a district’s failure.

The greater the number of “no” answers to the questions in the analysis, the higher the score, which indicates a greater risk of insolvency or fiscal issues. Not all sections in the analysis, and not all questions within each section, carry equal weight; some areas carry higher risk and thus count more heavily 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.

Identifying five-year historical trends for enrollment, staffing, salary and benefits, and revenue, including information on how each contributes to obstacles and issues early on, is critical to maintaining fiscal health. Multiyear planning, risk assessment, and cash flow projections will enable a district to better understand 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, especially if it is at risk or in fiscal distress.

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding errors and are provided for information only.

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	2.2%
3.	Budget Monitoring and Updates	1.0%
4.	Cash Management	0.0%
5.	Collective Bargaining Agreements	1.8%
6.	Intrafund and Interfund Transfers	1.0%
7.	Deficit Spending	0.0%
8.	Employee Benefits	0.0%
9.	Enrollment and Attendance	0.0%
10.	Facilities	0.2%
11.	Fund Balance and Reserve for Economic Uncertainty	0.0%
12.	Unrestricted General Fund – Current Year	1.0%
13.	Information Systems and Data Management	2.0%
14.	Internal Controls and Fraud Prevention	1.8%
15.	Leadership and Stability	1.0%
16.	Multiyear Projections	0.0%
17.	Non-Voter-Approved Debt and Risk Management	0.0%
18.	Position Control	4.7%
Score		16.3%

Fiscal Health Risk Analysis For Community College Districts



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Dates of fieldwork: March 25-26, 2024

District: Yuba Community College District

1. Annual Independent Audit Report

	Yes	No	N/A
1.1 Has the independent audit report for the most recent fiscal year been completed and presented to the board by the statutory timeline of December 31? (Extensions of the timeline granted by the Chancellor’s Office should be explained.) . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Were the district’s most recent and prior two independent audit reports free of material findings of weakness?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Has the district corrected all audit findings from the most recent and prior two audits? . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
1.4 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)? . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓

2. Budget Development and Adoption

	Yes	No	N/A
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, clearly articulated, and aligned with the signed state budget and the Student-Centered Funding Formula (SCFF)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Does the district use a budget development method other than a prior-year rollover budget, and if so, is there a procedure to evaluate prior year and future expenses (nonfixed expenditures, supplies, adjunct and other hourly positions) and removal of one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development?	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district does not use a documented position control system.			
2.4 Does the district coordinate program review as part of the budget development process and include input from faculty/staff, administrators, the governing board, and the budget committee in accordance with a documented planning model?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Does the budget development process include an explanation of the calculation of the SCFF (base full time equivalent students [FTES], supplemental low income and student success portions of the funding) with reasonable assumptions?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.6 Does the district budget and expend restricted funds as authorized by the funding source before expending unrestricted funds?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.7 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds to assess their congruence with the institution’s strategic plan and the potential multiyear impact on the district’s unrestricted general fund?.	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 2.8 Are expected revenues (not based on actuals) more than or equal to expected expenditures (not based on actuals) in the district’s adopted budget (budget is not dependent on carryover funds to be balanced)? ✓
- 2.9 Has the district refrained from using negative or contra expenditure accounts (excluding appropriate abatements in accordance with the Budget and Accounting Manual [BAM]) in its budget? ✓
- 2.10 Does the district have a board-adopted budget calendar that includes statutory due/closing dates (accounts receivable, accounts payable, closing of purchase orders, journal entries, etc.), major budget development tasks and deadlines, and the staff member/department responsible for completing them? ✓
 The district does not have a board-adopted budget calendar.
- 2.11 Did the district close its books with the county office of education on time? ✓

3. Budget Monitoring and Updates

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 3.1 Are actual revenues and expenses consistent with the most current budget projection of each major object code? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.2 Are revenue and expenditure budget revisions posted at least quarterly in the financial system? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.3 Are quarterly financial status reports, 311Q, submitted to the board quarterly with a clearly written summary of the report, budget assumptions and budget revisions? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.5 Has the district addressed any budget-related deficiencies identified in the most recent Accrediting Commission for Community and Junior Colleges (ACCJC) Annual Fiscal Report? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 3.6 If a college in the district has been notified that it is on enhanced monitoring or watch-list status based on the college’s ACCJC Annual Fiscal Report, have the district and college(s) created a written plan to address the issues of concern identified by the ACCJC? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 3.7 Does the district’s enterprise software system include hard budget blocks that prevent the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.8 Does the district encumber and adjust encumbrances for salaries and benefits? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district does not encumber salaries and benefits. | | | |
| 3.9 Are all balance sheet accounts in the general ledger reconciled each quarter, at a minimum, and at year-end close? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

4. Cash Management

	Yes	No	N/A
4.1 Does the district balance all cash and investment accounts with bank statements monthly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Are outstanding amounts in the cash and investment account reconciliations less than one year old, or if older, have a resolution?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Are accounts held by the county treasurer reconciled and balanced with the district's and county office of education's reports monthly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.4 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.5 If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.6 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.7 If interfund borrowing is occurring, does the district comply with Object Code 7300 requirements in the BAM?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.8 If the district is managing cash in any funds through external borrowing, such as a TRANS, has the district provided a written plan for repayment attributable to the same year the funds were borrowed?	<input type="checkbox"/>	<input type="checkbox"/>	✓

5. Collective Bargaining Agreements

	Yes	No	N/A
5.1 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections by conducting a presettlement analysis and identifying ongoing revenue sources or expenditure reductions to support the agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.2 In the current and prior two years has the district settled all new employee compensation costs (salary, benefits, load factoring, etc.) in the bargaining agreements at or under the funded cost of living adjustment (COLA)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.3 If settlements have not been reached in the past two years, has the district identified resources to cover the estimated costs of district proposals?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.4 Has the district's board of governors approved and certified collective bargaining agreements with all its bargaining units for the current and the prior two years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>At the time of FCMAT's fieldwork, the collective bargaining agreement with full-time and part-time faculty had expired on June 30, 2022 and no successor agreement was in place.</p>			

5.5 Has the district conducted a faculty release and reassign time analysis in the last two years and determined how it may impact the overall cost to the district as it relates to collective bargaining?

Although FCMAT recognizes that at the time of fieldwork for this study a new collective bargaining agreement had not been reached within the last two years, FCMAT was not provided with evidence that the district analyzes the fiscal impact of faculty release and reassigned time as it relates to collective bargaining.

6. Intrafund and Interfund Transfers

	Yes	No	N/A
6.1 Does the district have a board-approved plan to eliminate, reduce or control intrafund transfers from the general fund unrestricted subfund to the general fund restricted subfund?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district has no board-approved plan to eliminate, reduce or control intrafund transfers from the unrestricted to the restricted general fund. Without such a plan, programs that are not self-supporting can place increasing pressure on unrestricted funds and may require large and/or unexpected transfers as the fiscal year progresses.			
6.2 Does the board approve any intrafund or interfund transfers (contributions/encroachments) from or to the unrestricted general fund prior to occurrence?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.3 If the district has deficit spending in funds other than the unrestricted general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to any resulting negative fund balance (e.g., interfund transfers)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.4 If any interfund transfers were required for other funds in either of the prior two fiscal years, and the need is recurring in the current year, did the district budget for them at reasonable levels?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Deficit Spending

	Yes	No	N/A
7.1 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.) If no, has the board approved and implemented a plan to reduce and/or eliminate deficit spending?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.2 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.3 Has the district decreased deficit spending over the past two fiscal years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Employee Benefits

	Yes	No	N/A
8.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.2 Is the district funding a board-adopted plan to fund its projected liabilities for retiree health benefits?	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.3 Is the district funding a board-adopted plan to fund its projected employer contributions to CalSTRS and CalPERS?	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.4 Is the district following a board-adopted policy to limit faculty banked hours?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.5 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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
8.6 Does the district track, reconcile and report employees' compensated leave balances on the balance sheet?	✓	<input type="checkbox"/>	<input type="checkbox"/>

9. Enrollment and Attendance

	Yes	No	N/A
9.1 Has the district's enrollment been increasing or remained stable for the current and two prior years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.2 Does the district monitor and analyze enrollment, weekly student contact hours (WSCH) and full-time equivalent students (FTES) data at least monthly through the second reporting period (P2)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.3 Does the district track historical WSCH and FTES data to establish future trends?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.4 Do colleges within a multi-college district maintain a record of WSCH or FTES that is reconciled monthly at the college and district levels at least through the second reporting period?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.5 Are the district's enrollment projections and assumptions based on historical data, demographic trend analysis, high school enrollments, community participation rates and other industry standards, in addition to any board policies that limit enrollment?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.6 Do the institutional research staff and business/fiscal staff work together to develop enrollment and FTES predictions?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.7 Do the colleges' comprehensive enrollment plans set goals for the funding elements in the SCFF?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.8 Does the comprehensive enrollment plan establish academic productivity goals?	✓	<input type="checkbox"/>	<input type="checkbox"/>

10. Facilities

	Yes	No	N/A
10.1 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.2 Does the district properly track and account for facility-related projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.3 Does the district use lecture classrooms for at least 48 or 53 hours per 70-hour week as defined by the Board of Governors (BOG) policy on Utilization and Space Standards?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Because instruction was shifted to online delivery during the pandemic and many classes continue to be offered online, the district is not meeting the minimum standard for lecture space. The district needs to determine the long-term implications of not fully using its lecture space.</p>			
10.4 Does the district use laboratory classrooms for at least 27.5 hours per 70-hour week as defined by the BOG policy on Utilization and Space Standards?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district is not meeting the utilization standard for laboratory space. The district has 54% more lab space than is needed for the applicable FTES it is serving.</p>			
10.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.6 Has a quantitative Facilities Condition Index assessment been conducted sometime in the last three years through the Foundation for California Community Colleges?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.7 Does the district have a five-year scheduled maintenance plan?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.8 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.9 If the district has passed a Proposition 39 general obligation bond or a parcel tax and it has received any legal challenges or program audit findings concerning the use of those funds, has it resolved those complaints and/or findings?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.10 Does the district have a long-range facilities master plan that reflects its current and projected facility needs and aligns with the five-year capital outlay plan?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.11 Is the district following an Americans with Disabilities Act (ADA) transition plan that was developed within the past 5 to 10 years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district's last ADA transition plan was developed in 2008.</p>			

11. Fund Balance and Reserve for Economic Uncertainty

	Yes	No	N/A
<p>In this section, all questions refer to the unrestricted general fund.</p>			
11.1 Has the district adopted policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues, consistent with Budgeting Best Practices published by the Government Finance Officers Association, which they have followed?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.2 Did the district's adopted budgets for the subsequent two years include at least two months of operating expenditures in the Reserve for Economic Uncertainty?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 11.3 Does the district have at least a minimum of two months of general fund operating expenditures or revenues in the Reserve for Economic Uncertainty in its budget projections for the two subsequent years? ✓
- 11.4 If the district’s budget projections for the subsequent two years do not include at least a minimum of two months of general fund operating expenditures or revenues in the Reserve for Economic Uncertainty, does the district’s multiyear fiscal plan include a board-approved plan to restore at least the Reserve for Economic Uncertainty to at least a minimum of general fund operating expenditures or revenues? ✓
- 11.5 Is the district’s projected unrestricted general fund ending balance stable or increasing in the two subsequent fiscal years? ✓
- 11.6 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient reserves above the recommended minimum reserve level of two months of operating expenditures? ✓

12. Unrestricted General Fund – Current Year

	Yes	No	N/A
12.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? . . . ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.2 Is the percentage of the district’s general fund unrestricted budget that is allocated to salaries and benefits, instructional service agreement, backfill of categorical to employee compensation, and pay as you go retiree health benefit expenses at or below 85% for the three prior years as reported by the CCCCCO? ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.3 Is the district in compliance with the Fifty Percent Law (Education Code Section 84362) for the last three years? ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.4 Is the district at or above its Full-Time Obligation Number (FON)? If the district is over its FON, is it within 3% of the published FON? <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district's fall 2023 published FON is 94, and its total full-time equivalent faculty is 120.6, so it is exceeding the published FON by 28%.			
12.5 Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?. ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.7 Does the district consistently account for all program costs, including maximum allowable indirect costs, for each restricted resource?. ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Information Systems and Data Management

	Yes	No	N/A
13.1 Does the district use a human resources system and position control system that is integrated with the financial reporting system? <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The human resources and position control systems are not integrated with the financial reporting system.			
13.2 Does the district have an emergency data recovery system?. ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.3 Are enrollment class schedule software and budget development systems integrated? . . . <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The district does not have enrollment class scheduling software that integrates with budget development.			
13.4 Does the district conduct regularly scheduled evaluation tests of the security measures that protect student and employee personal information?. ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.5 Does the district use reports from its management information systems to validate the supplemental and success outcomes funded in the SCFF? ✓	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Internal Controls and Fraud Prevention

	Yes	No	N/A
14.1 Does the district have controls that limit access to and include multiple levels of authorizations within its financial system?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.2 Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district lacks a process to monitor access to, and authorization controls for, its financial system.			
14.3 Is there a desk manual that segregates duties in the following areas, and are staff supervised and monitored accordingly?			
a. Accounts payable	✓	<input type="checkbox"/>	<input type="checkbox"/>
b. Accounts receivable	✓	<input type="checkbox"/>	<input type="checkbox"/>
c. Cash management.	✓	<input type="checkbox"/>	<input type="checkbox"/>
d. Budget monitoring and review	✓	<input type="checkbox"/>	<input type="checkbox"/>
e. Purchasing and contracts	✓	<input type="checkbox"/>	<input type="checkbox"/>
f. Payroll	✓	<input type="checkbox"/>	<input type="checkbox"/>
g. Human resources (i.e., duties relative to position control and payroll processes)	✓	<input type="checkbox"/>	<input type="checkbox"/>
h. Associated student body	✓	<input type="checkbox"/>	<input type="checkbox"/>
i. Warehouse and receiving	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.5 Does the district review and work to clear prior year accruals by October 31?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.6 Does the district reconcile all suspense accounts, including salaries and benefits, at least each quarter and at the close of the fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.7 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.8 Does the district have processes and procedures to discourage and detect fraud?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.9 Does the district maintain an independent fraud reporting hotline or other reporting service(s)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.10 Does the district have a process for collecting and following up on reports of possible fraud (such as an anonymous fraud reporting hotline)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district lacks policies and procedures for following up on reports of suspected fraud, abuse, or waste of district resources.			
14.11 Does the district have an internal audit department or dedicated staff?	<input type="checkbox"/>	✓	<input type="checkbox"/>
Because the district is small, it has no dedicated internal audit department or staff. However, because it is a fiscally accountable/independent district, it is required to have an identified disbursement officer, yet there is no evidence of this function.			

14.12 Does the district limit the issuance of Cal-Cards (credit cards) and have procedures in place for appropriate use (e.g., allowable expenses, daily limit, etc.)? ✓

15. Leadership and Stability

	Yes	No	N/A
15.1 Does the district have a chief business official (CBO) who has been with the district as CBO for more than two years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2 Does the district have a chief executive officer (CEO) who has been with the district as CEO for more than two years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
The CEO has been with the district since June 15, 2023.			
15.3 Does the CEO meet on a scheduled and regular basis with all members of their administrative cabinet?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.4 Is training on the financial procedure manual, budget, and procurement development provided to district, college and department administrators who are responsible for budget management?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.5 Does the governing board follow an approved schedule to review and revise policies and administrative regulations?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.6 Are newly adopted or revised board policies and administrative regulations formally implemented, communicated and available to staff?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.7 Do all board members attend training on the budget and governance at least every two years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.8 Is the CEO's evaluation performed according to the terms of the contract?	✓	<input type="checkbox"/>	<input type="checkbox"/>

16. Multiyear Projections

	Yes	No	N/A
16.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards, including CCCCO and ACCJC?	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.2 Did the district include the calculation of SCFF breakdown (base FTES, supplemental low income, and student success portions) with multiyear considerations to help calculate its multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.3 Does the district use its most current multiyear projection when making financial decisions?	✓	<input type="checkbox"/>	<input type="checkbox"/>

17. Non-Voter-Approved Debt and Risk Management

	Yes	No	N/A
17.1 Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes [BANS] and tax revenue anticipation notes TRANS]) predictable and stable, and not from the unrestricted general fund?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 17.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years? ✓
- 17.3 If the district is self-insured, does the district have a recent (every two years) actuarial study and a plan to pay for any unfunded liabilities? ✓
- 17.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, TRANS and others), is the total of annual debt service payments no greater than 2% of the district’s unrestricted general fund revenues? ✓

18. Position Control

- | | Yes | No | N/A |
|--|-------------------------------------|-------------------------------------|--------------------------|
| 18.1 Does the district use a documented position control system that ties all positions and costs data to eliminate disparities between human resources, payroll, and budget? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district does not use a documented position control system. | | | |
| 18.2 Does the district analyze and adjust permanent staffing based on enrollment? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| FCMAT found no evidence that staffing levels are adjusted consistently based on enrollment trends. | | | |
| 18.3 Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and quarterly reporting periods? ✓ | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18.4 Does the governing board approve all new positions and extra assignments with a budget source identified before positions are posted? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Although interviews indicated that new positions may be approved by the governing board, FCMAT found no evidence that the board also approves extra assignments before they are given to employees. | | | |
| 18.5 Is the approval of hiring staff using categorical or other restricted dollars subject to adequate program funding? ✓ | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18.6 Are there standing meetings for managers and staff responsible for the district’s human resources, payroll and budget functions to discuss and improve processes? <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| According to staff interviews, there are no regular joint meetings of human resources and fiscal staff and managers to discuss and improve processes. | | | |

Total Risk Score, All Areas	16.3%
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Key to Risk Score

- High Risk: 40% or more*
- Moderate Risk: 25-39%*
- Low Risk: 24% and lower*

Fiscal Health Risk Analysis Summary

The overall FHRA score for the Yuba Community College District is 16.3%, which indicates a low risk of insolvency. This score is based on several factors outlined in the FHRA. Although the overall risk is low, the college lacks some important elements of the operational process. This report gives details on those deficient elements and the risks they pose.

Additional Findings and Recommendations

In addition to the FHRA portion of this report, FCMAT was asked to review the district's budget and multi-year projections. This portion of the report presents the results of the FHRA, including observations about policies and procedures. It is based on a review of financial data, supporting documents, and interviews with individual district employees, and it details the findings described in the FHRA. In addition, FCMAT identified further challenges facing the district's budget development process, which are outlined in this report.

Budget Development

Basic Budgeting Principles

A plan that accurately projects revenues and expenses is the first step in the budgeting process. To generate projections, certain assumptions need to be made using the best and most recent information available when the budget is developed. This includes using data from communications and analyses from the CCCCO, as well as information about any anticipated changes in employee salaries and benefits, expected increases in operating costs such as utilities and contractual agreements, and historical trends that help guide the development of various expenditure assumptions.

In the participatory governance and representative environment of California community colleges, a budget plan's underlying assumptions must be shared with education partners and constituents. Maintaining transparency throughout this process is essential to building confidence and trust in the plan. Budget planning does not always produce positive results. When planned expenses exceed anticipated income, a budget deficit results. To adequately explain the rationale behind any projected budget deficit, it is vital to make accurate assumptions that support the budget. It is also imperative that any projected deficit spending include a corrective action plan to avoid any further erosion of the ending fund balance and existing reserves.

The district's budget plan for the current year is strongly influenced by the actual revenue and expenses of the prior fiscal year. However, using prior year or historical figures as the sole foundation for budgeting is risky. When actual prior year expenses exceed prior year revenues, an organization must proceed cautiously to determine if the budget condition is temporary and isolated, or if it indicates a more problematic and ongoing structural deficit. Using projections that combine prior year actuals, the current year's budget plan, and projections for the subsequent three to five years can help show how the organization's goals and related activities may affect its fiscal outlook. A district's ability to navigate periods of fiscal and economic difficulty increases if it is equipped and prepared to manage potential reductions in revenue and/or increases in expenses.

Budget Calendar

Community college districts are required to create a budget that complies with the *California Community Colleges Budget and Accounting Manual* and California Code of Regulations Title 5, Policies for Prerequisites, Corequisites and Advisories on Recommended Preparation, and to present it for adoption by their governing board. Accreditation standards require that districts distribute information and provide opportunities for education partners to participate in budget development.

Districts can better manage their finances, align spending with their mission, vision and goals, and comply with state laws and standards when they have a budget calendar. An effective budget calendar includes critical dates and completion goals for budget creation, review, and approval. Internal processes and schedules that alert all involved to deadlines, assignments, and other events also need to be included in the calendar.

The best practice is to have a budget calendar that shows expectations and deadlines and to have it approved by the governing board before budget development begins. Once approved, it needs to be made available to all constituencies in the district. The approved calendar should help the Finance Department meet various deadlines, including those for budget updates and adjustments.

The district does not have a budget calendar. It needs to develop a comprehensive budget calendar and submit it to the governing board for approval each year before budget development begins (see [Appendix A](#) for a sample budget calendar).

Revenue

The state of California's budget process begins with the annual release of the governor's budget proposal for the upcoming fiscal year, which is typically released on or before January 10. In May, the governor's May Revise budget proposal provides updated information and projections built on the initial January proposal. After considering the governor's May Revise, the Legislature passes a final budget by June 15 for the upcoming fiscal year. After reviewing the legislative budget, the governor typically signs it into law, assuming no veto authority is exercised. However, various trailer bills may be introduced subsequently to clarify or revise the budget following its passage, and these may require revisions to local budgets. The CCCCO distributes revenue allocations to community college districts through the CCCCO budget process, which runs concurrently with the state's budget development and adoption process.

Typically, district budget development starts in January with revenue estimates based on the governor's January budget proposal. This eventually results in a tentative budget for board adoption in June, even though the state budget for the upcoming fiscal year has not yet been finalized. The tentative budget's primary goal is to give a district spending authority on July 1 as the new fiscal year begins. The summer months are then dedicated to closing the prior year's accounting books and continuing the district's budget development and revision. By September 15, a district's governing board must approve its final budget proposal.

Each district projects the total computational revenue (TCR) the CCCCO will provide, which includes funding allocations from state general fund, education protection account (EPA), and local revenue sources. The CCCCO uses information on revenue collections from the state and data from the colleges to refine its estimates over multiple reporting periods. This includes the advance apportionment (ADV) which is reported in July, the first principal apportionment (P-1) reported in February, the second principal apportionment (P-2) reported in June, and a subsequent verification and recalculation of the annual apportionment (R-1), which occurs after year-end closing and is reported in February of the following fiscal year.

Because of the volatility of the state's economy, the CCCCO's estimates have varied dramatically over the last six years, making it difficult for districts to prepare a clear revenue estimate for the fiscal year. The primary cause has been the application of a deficit factor to the TCR, which may be applied for various reasons, such as a shortage in expected tax receipts, shortfalls in student enrollment, and lower-than-anticipated property tax receipts.

The following tables and charts show the challenges the district has faced in matching its budgeted revenue to actual revenue received over the last six years (2018-19 through 2023-24); they also illustrate the magnitude of the deficit factors that can occur within a fiscal year.

Table 1: 2018-19 Apportionment Revenue Deficits

Date	Reporting Period	Deficit Factor %	Revenue Reduction
2/26/2019	P-1	5.06%	\$2,807,353
4/26/2019	Revised P-1	5.77%	\$3,148,829
6/26/2019	P-2	2.34%	\$1,277,562
2/20/2020	R-1	0.14%	\$77,022
6/22/2020	Revised R-1	0.1%	\$75,129

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Rounding applied to deficit factor percentages.

2018-19 Apportionment Revenue Deficits

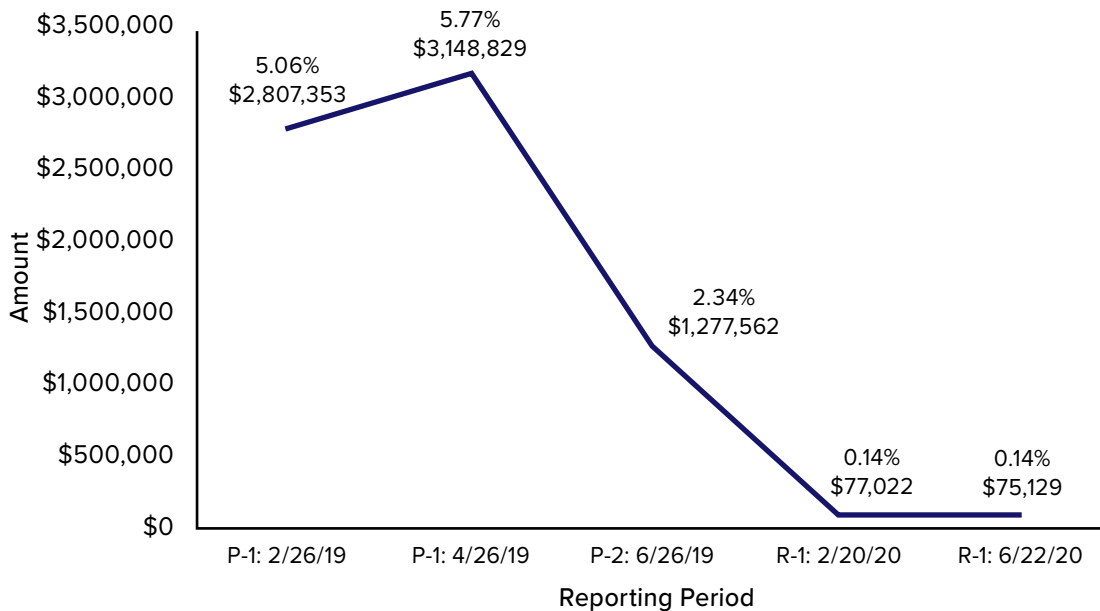


Figure 1. Graph showing 2018-19 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Table 2: Fiscal Year 2019-20 Apportionment Revenue Deficits

Date	Reporting Period	Deficit Factor %	Revenue Reduction
7/29/2019	ADV	0.00%	\$0
2/24/2020	P-1	3.69%	\$2,128,923
6/26/2020	P-2	8.16%	\$4,706,703
8/24/2020	Revised P-2	0.95%	\$547,799
9/28/2020	Revised P-2	0.95%	\$547,799
3/4/2021	R-1	0.42%	\$244,618
6/28/2021	Revised R-1	0.43%	\$245,691

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

2019-20 Apportionment Revenue Deficits

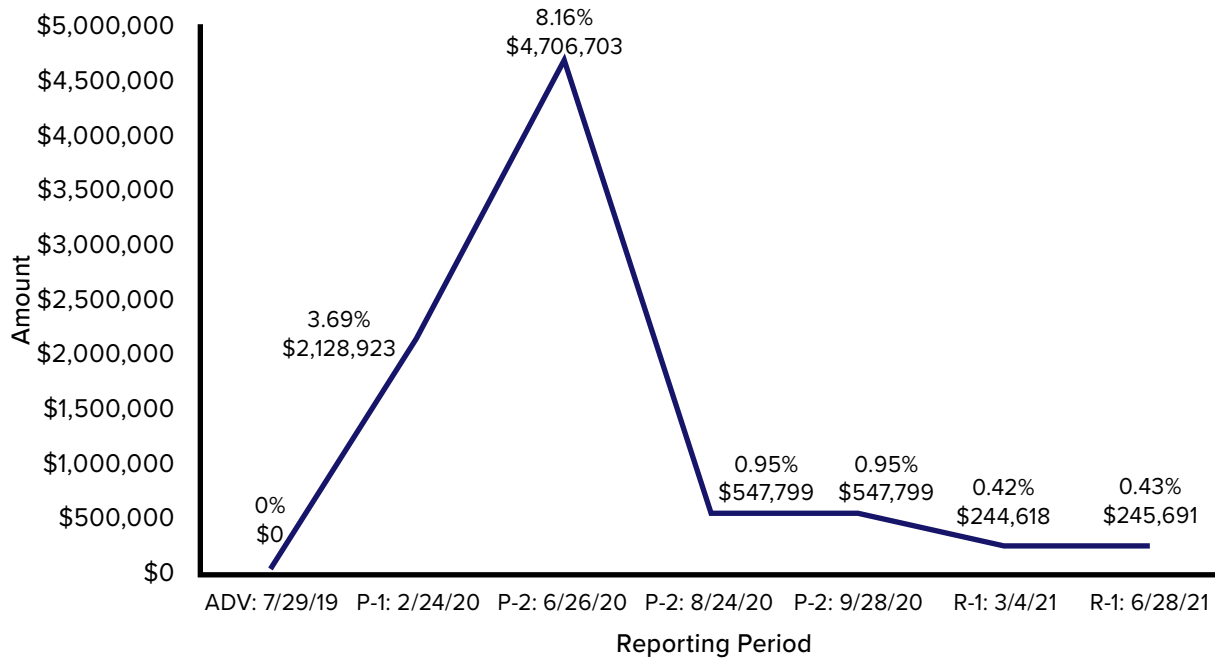


Figure 2. Graph showing 2019-20 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Table 3: Fiscal Year 2020-21 Apportionment Revenue Deficits

Date	Reporting Period	Deficit Factor %	Revenue Reduction
7/29/2020	ADV	0.35%	\$204,718
8/27/2020	Revised ADV	0.85%	\$493,328
9/28/2020	Revised ADV	0.85%	\$493,328
2/25/2021	P-1	2.38%	\$1,373,672
6/28/2021	P-2	0.76%	\$440,548
7/28/2021	Revised P-2	0.61%	\$349,845
2/24/2022	R-1	0.00%	\$0
3/18/2022	Revised R-1	0.00%	\$0
6/28/2022	Revised R-1	0.00%	\$0

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

2020-21 Apportionment Revenue Deficits

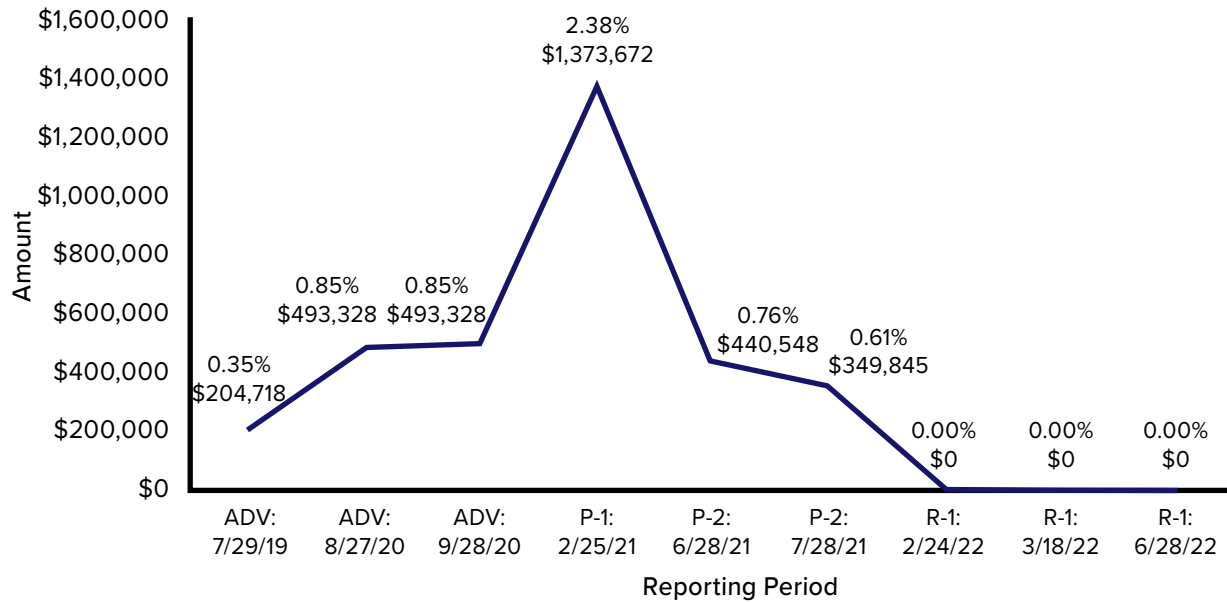


Figure 3. Graph showing 2020-21 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Table 4: Fiscal Year 2021-22 Apportionment Revenue Deficits

Date	Reporting Period	Deficit Factor %	Revenue Reduction
7/28/2021	ADV	1.03%	\$631,213
2/24/2022	P-1	3.35%	\$2,028,953
3/18/2022	Revised P-1	3.35%	\$2,028,953
6/20/2022	P-2	0.00%	\$0
2/21/2023	R-1	0.00%	\$0
6/21/2023	Revised R-1	0.00%	\$0

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

2021-22 Apportionment Revenue Deficits

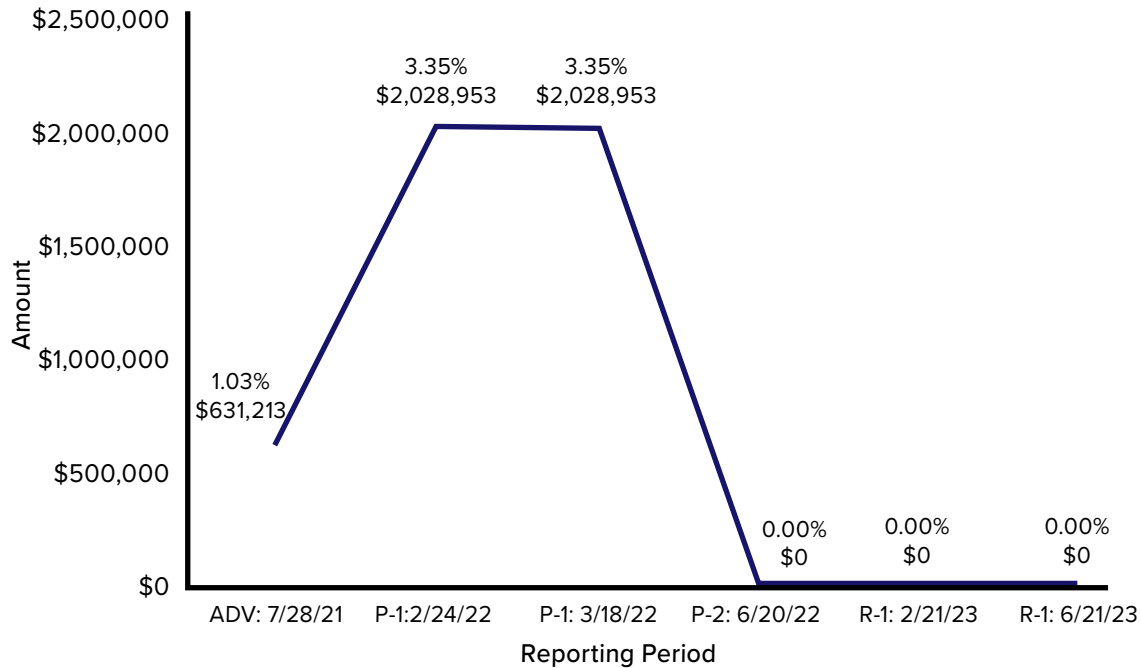


Figure 4. Graph showing 2021-22 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Table 5: Fiscal Year 2022-23 Apportionment Revenue Deficits

Date	Reporting Period	Deficit Factor %	Revenue Reduction
7/27/2022	ADV	0.07%	\$46,523
2/13/2023	P-1	0.00%	\$0
6/26/2023	P-2	10.83%	\$7,485,421
9/15/2023	R-1	0.96%	\$663,167
2/20/2024	Revised R-1	0.00%	\$0
3/21/2024	Revised R-1	0.00%	\$0

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

2022-23 Apportionment Revenue Deficit

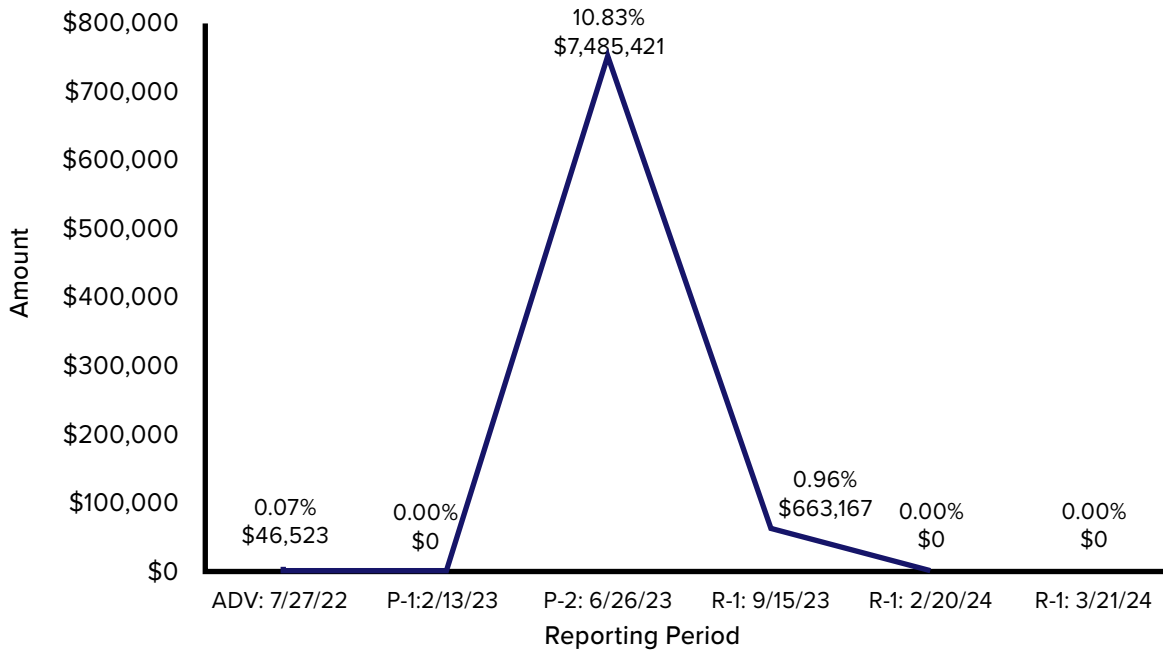


Figure 5. Graph showing 2022-23 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Appportionment-Reports>)

Table 6. Fiscal Year 2023-24 Apportionment Revenue Deficit (Year to Date)

Date	Reporting Period	Deficit Factor %	Revenue Reduction
7/21/2023	ADV	2.29%	\$1,715,309
2/21/2024	P-1	3.55%	\$2,656,976

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Appportionment-Reports>)

2023-24 Apportionment Revenue Deficit (Year to Date)

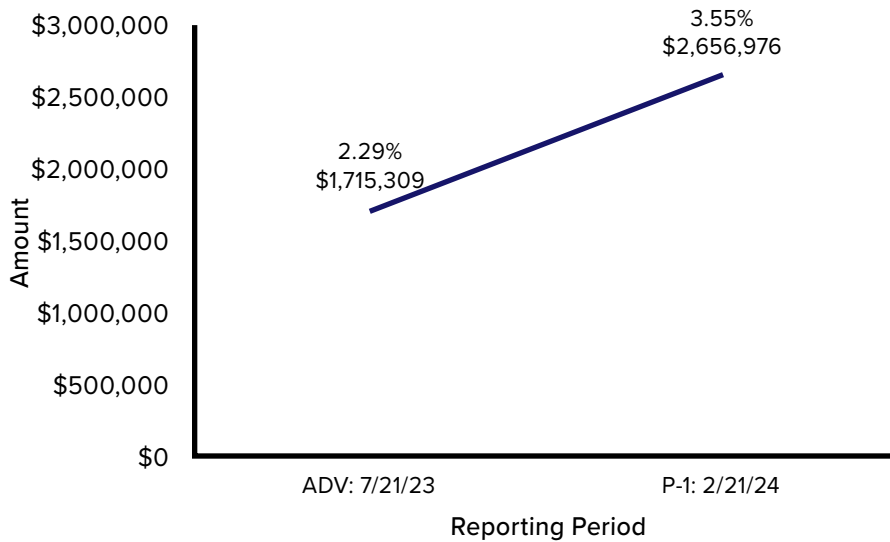


Figure 6. Graph showing 2023-24 apportionment revenue deficits.

Source: Adapted from Yuba CCD Apportionment Reports – California Community Colleges Chancellor’s Office. (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports>)

Additional reports for 2023-24 have not yet been released.

The preceding tables and charts detail the challenges the district faces when budgeting for revenue amounts that closely match the actual amounts received. Multiyear financial projections become essential to managing significant revenue changes and adjusting estimates accordingly. Revenue fluctuations have a major effect on the ending fund balance, moving in correlation with each revision and affecting available reserves.

Budget Assumptions

The best practice is for a district to impose stringent restrictions to help ensure that recurring revenues match recurring expenditures and that one-time revenues are used to fund only nonrecurring or temporary expenditures. In addition, districts must prepare clear budget presentations that show the governing board and other interested parties how revenues and expenses align, along with budget projections for the next three to five years.

The tables below show budget assumptions for the unrestricted general fund compared to the actual revenues and expenditures from 2019-20 through 2022-23.

Fiscal Year 2019-20

In 2019-20, the total amount the district received from state and local sources exceeded the amount of revenue it budgeted for by more than \$3 million, or 5.57%. This included state general apportionment funds, EPA proceeds, other state revenues, and property tax receipts. Expenditures for employee salaries and benefits were overbudgeted by more than \$1.9 million. Conversely, other outgo was underbudgeted by more than \$3 million. Overall, expenditures were underbudgeted by more than \$1.6 million, or 2.67% of total budgeted expenditures.

Table 7: 2019-20 Budgeted and Actual Revenue

Account Code	Account Description	2019-20 Budget	2019-20 Actual	Actuals to Budget Difference
8100	Federal Revenues	\$5,900	\$11,341	\$5,441
8600	State Revenues	\$28,784,517	\$31,483,870	\$2,699,353
8800	Local Revenues	\$31,489,629	\$32,143,871	\$654,242
8900	Other Financing Sources	-	-	-
801	Total Revenues	\$60,280,046	\$63,639,082	\$3,359,036
1000	Academic Salaries	\$23,015,610	\$22,734,638	-\$280,972
2000	Classified Salaries	\$9,757,684	\$9,399,723	-\$357,961
3000	Employee Benefits	\$15,413,691	\$14,141,467	-\$1,272,224
4000	Supplies and Materials	\$454,048	\$496,778	\$42,730
5000	Other Services and Operating Expenses	\$6,343,760	\$6,443,325	\$99,565
6000	Capital Outlay	\$277,458	\$565,321	\$287,863
7000	Other Outgo	\$4,881,358	\$7,970,312	\$3,088,954
501	Total Expenditures	\$60,143,609	\$61,751,564	\$1,607,955

Source: California Community Colleges Chancellor's Office CCFS-311 Annual Report.

Fiscal Year 2020-21

In 2020-21, the total amount the district actually received from federal, state and local sources exceeded the amount it budgeted for by more than \$2.2 million, or 3.7%. These funds included state general apportionments, EPA proceeds, other state revenues, and property tax receipts. Expenditures for employee salaries and benefits were overbudgeted by more than \$1.9 million, and other operating expenses were overbudgeted by more than \$1.4 million. Overall, expenditures were overbudgeted by more than \$3.9 million, or 6.5% of total budgeted expenditures.

Table 8: 2020-21 Budgeted and Actual Revenue

Account Code	Account Description	2020-21 Budget	2020-21 Actual	Actuals to Budget Difference
8100	Federal Revenues	\$5,900	\$7,718	\$1,818
8600	State Revenues	\$32,098,067	\$30,628,776	-\$1,469,291
8800	Local Revenues	\$29,534,925	\$33,283,053	\$3,748,128
8900	Other Financing Sources	-	\$1,346	\$1,346
801	Total Revenues	\$61,638,892	\$63,920,893	\$2,282,001
1000	Academic Salaries	\$22,531,943	\$22,444,415	-\$87,528
2000	Classified Salaries	\$10,261,955	\$9,344,182	-\$917,773
3000	Employee Benefits	\$15,462,436	\$14,530,240	-\$932,196
4000	Supplies and Materials	\$661,231	\$374,973	-\$286,258
5000	Other Services & Operating Expenses	\$6,855,327	\$5,424,148	-\$1,431,179
6000	Capital Outlay	\$559,745	\$573,791	\$14,046
7000	Other Outgo	\$4,989,400	\$4,663,686	-\$325,714
501	Total Expenditures	\$61,322,037	\$57,355,435	-\$3,966,602

Source: California Community Colleges Chancellor's Office CCFS-311 Annual Report.

Fiscal Year 2021-22

In 2021-22, the total amount the district received from federal, state and local sources exceeded the amount it budgeted for by more than \$2.2 million, or 3.4%. This included state general apportionments, EPA proceeds, other state revenues, and property tax receipts. Expenditures for employee salaries and benefits were overbudgeted by more than \$7 million, and other operating expenses were overbudgeted by nearly \$1 million. Overall, expenditures were overbudgeted by more than \$7.8 million, or 10.7% of the total budgeted expenditures.

Table 9: 2021-22 Budgeted and Actual Revenue

Account Code	Account Description	2021-22 Budget	2021-22 Actual	Actuals to Budget Difference
8100	Federal Revenues	\$6,600	\$7,629	\$1,029
8600	State Revenues	\$30,648,224	\$32,929,140	\$2,280,916
8800	Local Revenues	\$34,199,510	\$34,124,829	-\$74,681
8900	Other Financing Sources	-	-	-
801	Total Revenues	\$64,854,334	\$67,061,598	\$2,207,264
1000	Academic Salaries	\$23,225,812	\$22,186,185	-\$1,039,627
2000	Classified Salaries	\$10,754,451	\$7,499,325	-\$3,255,126
3000	Employee Benefits	\$16,445,612	\$13,690,782	-\$2,754,830
4000	Supplies and Materials	\$501,600	\$297,079	-\$204,521
5000	Other Services & Operating Expenses	\$6,962,741	\$5,977,917	-\$984,824
6000	Capital Outlay	\$226,223	\$323,284	\$97,061
7000	Other Outgo	\$14,729,729	\$15,047,366	\$317,637
501	Total Expenditures	\$72,846,168	\$65,021,938	-\$7,824,230

Source: California Community Colleges Chancellor’s Office CCFS-311 Annual Report.

Fiscal Year 2022-23

In 2022-23, actual revenue was very close to the budgeted amount. Expenditures for employee salaries and benefits were overbudgeted by more than \$11.9 million; other operating expenses were overbudgeted by \$332,792; and other outgo was underbudgeted almost \$6 million. Overall, expenditures were overbudgeted by more than \$6.3 million, or 8.7% of the total budgeted expenditures.

Table 10: 2022-23 Budgeted and Actual Revenue

Account Code	Account Description	2022-23 Budget	2022-23 Actual	Actuals to Budget Difference
8100	Federal Revenues	\$6,600	\$12,625	\$6,025
8600	State Revenues	\$36,191,150	\$33,859,373	-\$2,331,777
8800	Local Revenues	\$37,076,256	\$39,641,687	\$2,565,431
8900	Other Financing Sources	-	\$2,520	\$2,520
801	Total Revenues	\$73,274,006	\$73,516,205	\$242,199
1000	Academic Salaries	\$24,221,433	\$20,616,627	-\$3,604,806
2000	Classified Salaries	\$11,377,545	\$7,566,057	-\$3,811,488
3000	Employee Benefits	\$17,166,074	\$12,612,036	-\$4,554,038

4000	Supplies and Materials	\$591,158	\$418,892	-\$172,266
5000	Other Services & Operating Expenses	\$7,423,823	\$7,142,138	-\$281,685
6000	Capital Outlay	\$272,961	\$394,120	\$121,159
7000	Other Outgo	\$12,173,531	\$18,103,248	\$5,929,717
501	Total Expenditures	\$73,226,525	\$66,853,118	-\$6,373,407

Source: California Community Colleges Chancellor’s Office CCFS-311 Annual Report.

Before fiscal year 2022-23, the district had a large variance each year between state budgeted revenue and actual receipts, ranging from 3.5% to 5.5%. The district’s assumptions used to prepare the budget for state apportionment revenue were consistent with the information received from the CCCCO at the time. Variances represent the apportionment revenue with a deficit factor estimated by the CCCCO during P-1 and P-2 of each fiscal year. These estimates are referenced earlier under the “Revenue” section of this report.

Since 2020-21, expenditures have been consistently overbudgeted by 6.5% to 10.7% of total budgeted expenditures. Most of these variances were in employee salaries and benefits and in other operating expenditures. According to staff interviews, the variances were caused primarily by position vacancies and transfers related to the Higher Education Emergency Relief Fund (HEERF). In addition, other outgo was underbudgeted by \$3.1 million in 2019-20 and by \$5.9 million in 2022-23. FCMAT noted that the district’s governing board does approve budget adjustments to other outgo throughout the year to more closely align anticipated expenditures with the budget.

Multiyear Budget Projections

Financially sound community college districts set priorities for spending and resource allocation, monitor performance regularly, define objectives and identify shortcomings, create plans to eliminate any shortcomings, and improve budgeting procedures as part of their planning and budget process.

A community college's budget projections are essential for planning, forecasting, resource allocation, and upholding accountability. With the help of reliable projections, community colleges can better align their budgets with their mission, strategic plan, and priority goals while also improving student outcomes. Accurately forecasting spending plans also allows community colleges to adjust to changing economic circumstances.

Below is the district’s multiyear planning scenario that it used to forecast its budget through 2027-28.

Table 11: District Summary Revenues, Expenditures and Fund Balance, 2022-23 Through 2027-28

GENERAL FUND – UNRESTRICTED FUND 11

Summary Revenues, Expenditures and Fund Balance

MULTI-YEAR PLANNING SCENARIOS							
Ongoing Budget							
COLA to Salary Schedules at 2.50%							
	2	3	4	5	6	7	8
	Unaudited Actuals 2022-23	Tentative Budget 2023-24	Adopted Budget 2023-24	Projected Budget 2024-25	*Projected Budget 2025-26	*Projected Budget 2026-27	*Projected Budget 2027-28
3-Year Average	7017.04	6596.53	6596.53	6223.57	6031.56	7065.33	7012.00
Funded FTES	7626	7096.01	7096.01	622.57	6031.56	7065.33	7012.00
Actual FTES Projected	6121	6300	6300	6255	6410	6570	7000
Base Allocation Assumptions							
FTES	70%	70%	70%	70%	70%	70%	70%
Supplemental	20%	20%	20%	20%	20%	20%	20%
Student Success	10%	10%	10%	10%	10%	10%	10%
Beginning Fund Balance	\$ 19,893,362	\$ 19,893,363	\$ 26,001,501	\$ 20,284,128	\$ 20,611,464	\$ 20,929,529	\$ 21,161,317
Revenues							
Federal	\$ 12,625	\$ 9,100	\$ 3,808	\$ 9,100	\$ 9,100	\$ 9,100	\$ 9,100
State	30,683,222	39,776,985	36,808,376	39,121,645	38,154,519	38,155,278	38,127,441
State – STRS On Behalf	2,622,230	2,701,687	2,701,687	2,728,704	2,755,991	2,783,551	2,811,386
State – PERS On Behalf	553,921	570,705	-	-	-	-	-
Local	39,684,208	36,928,756	39,858,505	36,888,690	36,864,588	36,864,589	36,864,590
Total Revenue	\$ 73,556,206	\$ 79,987,233	\$ 79,372,376	\$ 77,748,139	\$ 77,784,197	\$ 77,812,517	\$ 77,812,517
Expenditures							
Academic Salaries	\$ 21,229,773	\$ 25,210,707	\$ 26,186,886	\$ 26,698,755	\$ 27,215,742	\$ 27,487,900	\$ 28,312,779
Classified Salaries	7,600,560	13,102,318	13,191,811	13,323,729	13,456,966	13,591,536	13,727,451
Benefits	9,476,990	17,732,142	\$17,988,458	18,410,000	18,783,014	19,099,122	19,623,295
Benefits – STRS On Behalf	2,622,230	2,701,687	2,701,687	2,728,704	2,755,991	2,783,551	2,811,386
Benefits – PERS On Behalf	553,921	570,705	-	-	-	-	-
Supplies and Materials	418,892	749,628	717,507	767,507	817,507	817,507	817,507
Other Operating Expenses & Services	7,048,802	6,899,782	7,283,659	7,405,671	7,528,902	7,653,366	7,779,075
Capital Outlay	394,119	305,734	260,734	260,734	263,341	265,975	268,635
Other Outgo	18,102,779	5,658,491	\$5,706,804	5,763,872	5,821,511	5,879,726	5,938,523
Revise Budget (HEERF Indirect, UI, Travel)		-	-	-	-	-	-
Total Expenditures	\$ 67,448,067	\$ 72,931,194	\$ 74,037,546	\$ 75,358,972	\$ 76,642,976	\$ 77,578,683	\$ 79,278,651
Net Increase (Decrease) in Fund Balance	6,108,139	7,056,039	5,334,830	2,389,167	1,141,122	233,835	(1,466,133)
Net Ending Fund Balance	\$ 26,001,501	\$ 26,949,402	\$ 31,336,331	\$ 22,673,295	\$ 21,752,685	\$ 21,163,364	\$ 19,695,184
One-Time Budget							
Less Designated Fund Balance							
Minimum Reserve Balance (two months of unrestricted and restricted GF Expenditures)		\$ 21,182,920	\$ 18,340,128	\$ 18,667,464	\$ 18,985,529	\$ 19,217,317	\$ 19,638,422

Contingency for Revenue Shortfall	\$1,440,389	\$1,944,000	\$1,944,000	\$1,944,000	\$1,944,000	\$56,761
Anticipated Fund Balance	\$ 22,623,309	\$ 20,284,128	\$ 20,611,464	\$ 20,929,529	\$ 21,161,317	\$ 19,695,183
OPEB Trust	1,756,749	3,394,252	500,000	123,156		
STRS/PERS Trust	550,000	1,550,000	361,831			
Innovation Funds	200,000	200,000	200,000	200,000	2,047	
Enrollment Efficiencies	500,000	500,000				
General Fund & Carryovers		1,040,937				
FCMAT Related Items						
IT	380,000	500,000	500,000	500,000		
Ongoing Increase Requests to One-Time	569,926	-				
One-Time (Capital Outlay Fund)	437,839	3,867,014	500,000			
Undesignated Fund Balance	\$ (68,421)	\$ -	\$ 0	\$ 0	\$ (0)	\$ 0

Source: Yuba CCD Multiyear Planning Scenarios.

Below is a Student Centered Funding Formula (SCFF) calculation, prepared by FCMAT, based on the assumption that FTES will remain mostly stable through 2028-29.

Table 12: District SCFF Summary

Description	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Estimated State Cola	6.56%	8.22%	0.76%	2.73%	3.11%	3.17%	0.00%
I. Base Allocation	\$52,429,133	\$55,599,623	\$53,633,647	\$52,644,094	\$54,281,344	\$56,002,037	\$56,002,037
II. Supplemental Allocation	\$9,185,757	\$10,277,737	\$10,355,821	\$10,638,534	\$10,969,375	\$11,317,144	\$11,317,144
III. Student Success Allocation	\$7,516,389	\$8,518,488	\$9,043,805	\$9,522,285	\$9,818,427	\$10,129,672	\$10,129,672
Subtotal	\$69,131,279	\$74,395,847	\$73,033,273	\$72,804,913	\$75,069,146	\$77,448,853	\$77,448,853
Hold Harmless	-	\$418,023	\$1,927,982	\$2,222,169	-	-	-
TCR	\$69,131,279	\$74,813,870	\$74,961,256	\$75,027,082	\$75,069,146	\$77,448,853	\$77,448,853
Revenue Deficit	-	-	-	-	-	-	-
Available Revenue	\$69,131,279	\$74,813,870	\$74,961,256	\$75,027,082	\$75,069,146	\$77,448,853	\$77,448,853
% Change from Prior Year Available Revenue	14.32%	8.22%	0.20%	0.09%	0.06%	3.17%	0.00%

Source: Adapted from Yuba CCD Assumptions based on 2023-24 First Principal, Exhibit C.

Below is a chart showing total actual unrestricted general fund expenditures for the prior four years and projected expenditures for the current year and subsequent four years.

Total District Expenditures

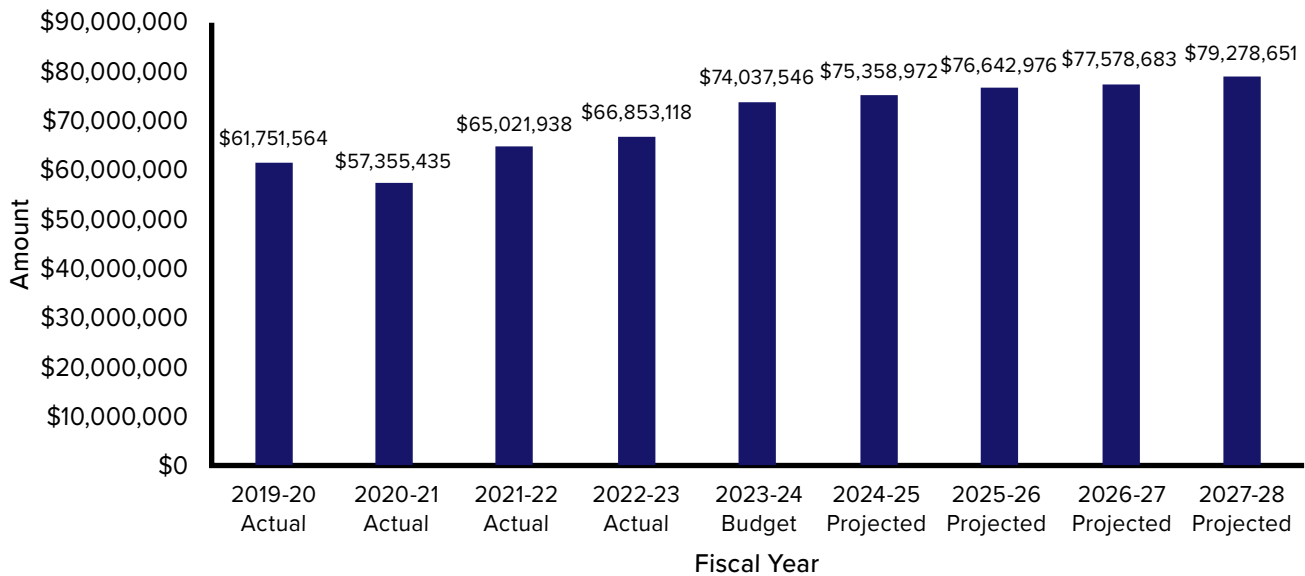


Figure 7. Graph showing total district expenditures actual and projected from 2019-20 through 2027-28.

Source: Adapted from 2019-20 through 2022-23 Actual – CCFS-311 Annual Report; 2023-24 through 2027-28 Budgeted and Projected Expenditures – Yuba CCD Multiyear Planning Scenarios.

The revenue projections in the district’s multiyear planning scenario are mostly consistent with SCFF-calculated assumptions for the district for 2024-25 through 2026-27. The district will need to review projections for the 2027-28 TCR, which includes funding allocations for general state revenue, EPA, and local revenue sources, to ensure the assumptions are consistent with prior year projections and the implementation of the new funding floor.

For total expenditures, the district’s projections include a planned increase of 10.7% from 2022-23 to 2023-24. As noted in the “Budget Assumptions” section of this report, the district has a history of large variances between budget and actuals, ranging from 2.6% to 10.7%. Because the multiyear projections for 2024-25 through 2027-28 are based on the 2023-24 budget, the district needs to review and update these amounts each year based on prior year actual expenditures to create a reliable basis for future assumptions.

Salaries and Benefits

The district does not encumber salaries and benefits in its financial system because its HR and financial systems are not integrated. Funds allocated for employee salaries and benefits during a fiscal year need to be encumbered in the district's financial system, because this helps ensure that the funds are designated exclusively for this purpose and will not be spent on other budget items. Encumbrances are also important for managing cash flow and projecting future financial needs. Encumbrances are critical to managing expenses, including grants and grant funding, throughout the fiscal year.

Collective Bargaining

The district’s latest collective bargaining agreement with its full-time and part-time faculty expired on June 30, 2022, and no successor agreement is in place. Negotiations were ongoing at the time of FCMAT's fieldwork.

Employee salaries and benefits significantly affect the financial resources of a college district because they typically are its largest combined expenditure item. College districts are required to negotiate in good faith with their collective bargaining units and be aware of how an agreement will affect present and future spending. When an agreement is not in place, the future effect of salaries and benefits on a district's fiscal outlook is unknown. This makes it difficult to develop a reliable estimate for current and future budget projections.

Faculty Release and Reassigned Time

The district could not provide an analysis of the fiscal impact of its release and reassigned time for faculty. Faculty release and reassigned time is part of a faculty member's assigned duties other than teaching. Examples include but are not limited to chair and administrative duties, curriculum processes, and special projects. Because these duties are in addition to a regular teaching assignment, the amount of funds allocated for these activities must be estimated and monitored. Some of these duties may be described in the agreement; however, without a limit to these types of functions, they must be monitored and analyzed continually to ensure the extra time authorized does not exceed budgeted amounts. The governing board needs to approve all faculty release and reassigned time before an assignment is given to an employee. This is important to ensure all additional time is approved and sufficient funds are available.

Enrollment

Student Centered Funding Formula

The SCFF, written into California state law on June 27, 2018, significantly changed the way California community college districts are funded. The SCFF focuses on improving access and achievement for disadvantaged students and improving community college student outcomes as outlined in the state's "[Vision 2030](#)", the California Community Colleges Chancellor's Office guide to reforms that would make higher education more accessible and equitable for Californians.

The SCFF divides the state's community college budget into three allocations:

1. The base allocation, which is focused on access. It is distributed based on full-time equivalent student enrollments (FTES) plus a basic allocation for college size and college centers.
2. The supplemental allocation, which targets equity and is distributed based on a count of Pell Grant recipients, California College Promise Grant recipients, and students to whom Assembly Bill 540 applies, which exempts certain nonresident students from paying nonresident supplemental tuition.
3. The student success allocation, which targets successful outcomes and is distributed based on weighted measures of various types of student success.

Before the SCFF, funding for the state's community college system was based entirely on FTES in each district, plus a basic allocation based on the number of colleges and educational centers in a district. The state's 2022 Budget Act extended a modified hold harmless provision that protected college revenues from declining significantly as a result of the COVID-19 pandemic. Effective in 2025-26, if a district has not recovered to its prepandemic revenue levels and remains in hold harmless status, the new funding minimum will be the district's 2024-25 maximum TCR. This minimum is the level below which funding cannot drop.

Although a district is still held harmless, its TCR will not increase until its earned SCFF revenue is greater than its funding minimum. This can result in multiple years without an increase in SCFF funding.

FCMAT found no evidence that the district is adjusting its staffing levels consistently as enrollment changes. A district needs to analyze staffing trends, identify necessary adjustments, and implement them, especially if its cost-of-living adjustment (COLA) does not increase its TCR and its staffing costs need to be reduced.

District leadership needs to work collaboratively to understand these trends and determine how they may affect the district's financial projections.

Based on enrollment trends, the district's multiyear projection of the SCFF shows that it will receive a small portion of the COLA in 2025-26 and 2026-27, with full restoration of the COLA assumed to occur in 2028-29. This data indicates a need for research and fiscal staff to work together to understand how enrollment projections will affect expenditures.

Integrated Systems

The district lacks software and processes that integrate its class schedule with budget development. Using data to guide decision-making is essential to strategic enrollment planning. Including education partners, allowing access to internal and external data, encouraging collaboration within the district, embracing openness, and developing a schedule of classes are all essential to a district's success and to ensuring transparency. The leadership team needs to include specialists from enrollment, academic affairs and finance in this planning. Integrating class scheduling software with budget development can streamline operations, reduce space and resource conflicts, and aid in decision-making when developing class schedules. The district has developed annual planning guidelines that help with trend analysis and allow the cost of its schedule to be considered during budget development.

Facilities

Use of Space

California community colleges have use and space standards to help plan the construction of facilities. These standards are tools for budget planning that can be used to determine the amount of academic space (e.g., classrooms, labs, library and technology space, faculty offices) required currently and in the future.

Various guidelines dictate the allocation of space for administrative and instructional activities. For example, the use standards for laboratory space are lower than those for classrooms. Per California Code of Regulations Title 5 standards, laboratory room use shall not be less than 27.5 hours per 70-hour week. The district's use of laboratory space is less than this standard; it has 54% more lab space than is needed for the applicable FTES it is serving.

Americans with Disabilities Act

The Americans with Disabilities Act (ADA) of 1990 offers extensive civil rights protections in employment, public accommodations, state and local government services, and telecommunications. Ensuring that all eligible Americans with disabilities have equal access to public spaces is one of the ADA's main objectives.

Programs, services and activities offered by public entities such as community colleges are covered by Title II of the Act.

As mandated by the Code of Federal Regulations, Title 28, Section 35.105 (28 CFR 35.105), an agency must conduct a comprehensive assessment of all its programs, services and activities to ensure that, collectively, they are readily accessible to eligible individuals with disabilities. The goal of such an assessment is to identify areas that need changes to guarantee that individuals with disabilities have access. Public agencies are permitted to transition to full compliance using an ADA transition plan. This gives a public agency enough time to develop a thorough plan that can be implemented over time. The district does not have a current ADA transition plan; its last plan was developed in 2008. Failure to develop a current transition plan and implement it could create legal liability.

Position Control

The district lacks an integrated position control system that links all positions with their associated cost information from payroll, human resources, and budgeting.

Position control helps manage and track staffing positions. The focus of a position control system is on keeping track of each position, including its function, requirements, and associated budget account. A position control system gives every position in an organization a unique identity, which enables careful management of staffing needs and financial impact. A position indicator includes details about the position, such as its role in the organization, the department to which it is assigned, the funds allocated to the position, the requirements for applicants, and whether the position is full-time or part-time. By using position control, organizations can better understand the composition of their workforce and make more informed long-term plans. This is important for maintaining a clear picture of how human resources are being allocated, as well as ensuring related costs are accurately reflected in the budget, including allowances for vacancies.

The ability to tie budgets to positions rather than to individuals allows for more accurate forecasting of personnel costs and improves budgeting accuracy. Streamlined hiring procedures result from a position control system's ability to simplify recruitment by outlining the requirements and parameters for each open position. Position control also helps improve compliance by ensuring that staffing levels meet grant funding or regulatory requirements, because each position has a clearly defined set of guidelines.

Position control requires a robust human resources information system and the capacity to manage a potentially complicated variety of positions, both of which the district currently lacks. Having such a system is essential to maintaining organizational structure and efficiency.

Collaboration of Fiscal and Human Resources Functions

Collaboration is lacking between the district's Human Resources (HR) and Finance departments. There is no evidence of regularly scheduled joint meetings of these departments to collaborate and discuss how to improve processes.

Although finance and HR are two different departments with different functions in most organizations, their duties and responsibilities overlap and intersect significantly, particularly in position control functions. Consequently, HR and finance need to work collaboratively to fully support the organization's objectives, maintain optimal productivity, and allow a district's leaders to carry out strategic plans.

Internal Controls

Access and Authorization

Internal controls help protect a district from fraud, misuse, or misappropriation of funds by defining how an organization's assets and resources are allocated, tracked, and evaluated. Reliable financial reporting, effective operations, and legal compliance are all components of strong internal controls. Authorization and security access controls for technology are additional internal control functions.

The district lacks a process for monitoring financial system access and functions when employment actions such as resignations, terminations, promotions or demotions require a change in authorizations and access. Any organization needs to conduct a periodic review of authorizations and access to its data and financial systems. This helps ensure that all current users are authorized and that any employment actions result in appropriate and timely changes to system access. Failure to monitor access and authorization controls can put a district's finances, data, operations and technology systems at risk because of unauthorized access.

Fiscally Accountable or Fiscally Independent Status

A fiscally accountable or independent status allows a community college district to process payroll and/or vendor warrants without approval from the county superintendent of schools. A district with this status is also required to designate a district auditor or disbursement officer to oversee this process. In interviews, staff indicated that the district is either a fiscally accountable or fiscally independent district. A district typically obtains this status when approved by the local county superintendent of schools, in accordance with Education Code 85266 (fiscal accountability). It can also be obtained when approved by the Board of Governors of the California Community Colleges, in accordance with Education Code 85266.5 (fiscal independence).

This status is common for community colleges, and in many cases, such a status may have been obtained many years ago. Because of this, documents related to achieving the status are often unavailable. This is true in the district's case: FCMAT was not provided with documents indicating whether or not the district's status is fiscally accountable or independent. The district also could not provide evidence that it has a designated district auditor or disbursement officer assigned as required by the Education Code sections cited.

Although common, this status places an increased burden on small community college districts, because they need to have additional staff to meet internal control requirements. A district auditor or disbursement officer position is required by law if a district is fiscally accountable or fiscally independent. Preparing and approving all vendor and payroll warrants without oversight from the county superintendent of schools can speed processing and increase efficiencies; however, lower staffing levels at smaller districts may not allow for adequate internal controls, which require additional staff with specific skills and training. District leaders and the governing board must be aware of the requirements and additional responsibilities for maintaining this status.

Fraud Prevention

Internal controls act as checks and balances, shielding an institution from internal threats and lowering the likelihood that fraud will occur. In addition to acting as the first line of defense, fraud prevention controls can help identify fraud quickly, which in turn can reduce potential losses. Fraud hotlines are one example of a fraud prevention tool that offers confidential reporting so that staff, students, and community members can securely report any suspected fraudulent activity. The district has a fraud prevention hotline; however,

FCMAT found no evidence of a documented process for collecting and investigating reports of possible fraud.

To effectively manage a robust fraud prevention system, tips regarding potentially fraudulent activity must be reviewed and investigated promptly. This can significantly reduce an institution's potential loss and help maintain confidence with all education partners because it signals an organization's commitment to ethical behavior and indicates a culture of identifying fraud, waste and abuse.

Recommendations

The district should:

1. Update its budget development policy to include the adoption of a comprehensive budget development calendar that includes statutory and closing dates for processes that affect budget development, as well as the individuals or departments responsible for each item.
2. Review historical expenditure data and include the most current and relevant information in its budgeting process to ensure more accurate financial projections.
3. Develop a process to ensure ongoing encumbrance of salaries and benefits.
4. Develop a board-approved plan to eliminate, reduce or control transfers from the unrestricted general fund to the restricted general fund.
5. Continue to negotiate all collective bargaining agreements until a settlement is reached. Negotiate and obtain board approval for any successor agreements before current agreements expire.
6. Analyze the fiscal impact of faculty release and reassigned time periodically throughout the fiscal year. Ensure that all extra assignments are approved by the governing board before an assignment is offered to an employee and that sufficient funds are available for each assignment.
7. Create reports of changes and trends in staffing levels and enrollment, and use these to help analyze and identify appropriate staffing levels based on SCFF revenue estimates.
8. Implement tools and processes that integrate the class schedule with budget development. Continue to monitor and assess annual planning guidelines and trend analysis to ensure an accurate cost of the schedule is considered during annual budget development.
9. Conduct a facilities use study to help determine how to more efficiently use both lecture and laboratory space.
10. Update its ADA transition plan to better serve individuals with disabilities and to identify and reduce potential risks to the district.
11. Establish a comprehensive position control process that is integrated with its financial reporting system, that informs budget development, and that includes coordination between fiscal and human resources staff and management. Review all vacant positions and include in the adopted budget only those that are filled or expected to be filled during the fiscal year.

12. Establish regular joint meetings of human resources and fiscal staff and management to help the two departments work cooperatively to analyze and improve functions and processes of each that overlap and/or that are interdependent.
13. Implement an ongoing process to monitor financial system access and authorization controls when employment actions occur.
14. Conduct a comprehensive study of internal controls for all business-related functions, and comply with Education Codes 85266 and 85266.5 regarding fiscal accountability and independence. Educate district leaders and the governing board regarding the responsibilities and requirements that accompany its fiscally accountable or independent status, including the designation of a district auditor or disbursement officer.
15. Establish policies and procedures for reviewing and investigating suspected or reported incidents of fraud, abuse, or waste of district resources.

Appendices

Appendix A

Sample Budget Calendar

Date	Task	Facilitator
September through January	Review processes and parameters for budget development	Participatory governance committee for budget
December	Board adoption of budget development calendar	Board of trustees
December	Resource allocation requests due	Fiscal Services
January	Review governor's proposed budget	
February	Deadline for purchases that exceed bid limit and equipment & furniture requisitions	Purchasing
February	First principal apportionment (P-1)	
February through March	Budget development discussions	Administrators
March	Budget study sessions	Board of trustees
March	Deadline for tangible purchase requisitions	Purchasing
March	Distribute budget development instructions	Fiscal
April	Return budget worksheets	Administrators
May	Deadline for purchases on open purchase orders	Purchasing
May	Review governor's May revise budget	
June	Second principal apportionment (P-2)	
June	Board adoption of tentative budget	Board of trustees
June through July	Review governor's signed budget	
July	Beginning of new fiscal year	
September	Public hearing for board adoption of final budget	Board of trustees

Source: FCMAT.

Appendix B

Study Agreement



**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR COMMUNITY COLLEGE MANAGEMENT ASSISTANCE**

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the California Community Colleges Chancellor's Office (CCCCO) on behalf of the Yuba Community College District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 84041. The Client has requested that the FCMAT assign professionals to study specific aspects of the Client's operations. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

At the request of the CCCCCO, and in accordance with E C 84041, FCMAT shall review the following for the Yuba Community College District:

1. Fiscal Health Risk Analysis
Prepare an analysis using FCMAT's Fiscal Health Risk Analysis tool to identify the district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.
2. District Budget Review
Review the district's 2023-24 budget and multiyear projections to determine the reasonableness of the assumptions used to develop its revenue and expenditure projections, including economic factors, operational conditions and other factors affecting the district. Make recommendations if appropriate.

B. Services and Products to be Provided

1. Orientation Meeting
The Team will conduct an orientation session at the Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. **Fieldwork**

The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.
3. **Exit Meeting**

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

Approximately 10 business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. **Draft Report**

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

An electronic copy of the final report will be delivered to the Client's point of contact and to the California Community College Chancellor's Office (if different than the Client) following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.
7. **Board Presentation**

Presentations to the Client's board are optional and are made at the request of the Client. If a board presentation is requested, it will be noted in the scope and objectives of the study or can be added as a change in scope at a later date.
8. **Follow-Up Review**

If requested by the Client within six to 12 months after completion of the study, FCMAT, at no additional cost, will assess the Client's progress in implementing the recommendations included in the report. This follow-up support is primarily a document review-based study. Progress in implementing the recommendations will be documented to the Client in a FCMAT management letter. FCMAT will work with the Client 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 the date of the final report.

3. PROJECT PERSONNEL

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

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

4. PROJECT COSTS

The cost for studies requested pursuant to EC 42127.8(d)(1) and 84041 shall be as follows:

- A. \$1,400 per day for each FCMAT staff member while conducting activities associated with the study. This includes, but is not limited to, planning, on-site or virtual document collection and review, interviews, conducting fieldwork at other locations, conducting analysis, preparing reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their daily rate for all work performed.
- B. All out-of-pocket expenses, including travel and its associated costs, and miscellaneous items necessary to complete the scope and objectives of the study.
- C. The applicable state-approved indirect rate at the time work is performed on the study will be added to all costs billed.
- D. The Client will be invoiced for 50% of the not-to-exceed cost shown below following completion of fieldwork (progress payment) and the remaining amount shall be due upon the issuance of the final report or presentation to the Client's board, whichever is later (final payment). The Parties agree that changes documented in a revised study agreement may change the original not-to-exceed amount shown below. If changes are made before or during fieldwork, the new not-to-exceed amount documented in such a revised study agreement will constitute the basis for the progress payment. If changes are made after fieldwork, 100% of the total changed value documented in a revised study agreement, less progress payments made, will constitute the final payment due. All payments shall be due immediately based on the terms of the invoice.

Based on the scope and objectives of the study, the total not-to-exceed cost of the study will be \$85,785.

- E. Any change to the scope of work will affect the total cost. Changes may include, but are not limited to, delays, revisions to the scope of services, and substitution or addition of personnel. The need for changes shall be communicated by FCMAT to the Client in advance in the form of a revised study agreement.

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

5. **RESPONSIBILITIES OF THE CLIENT**

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

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

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

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

6. **PROJECT SCHEDULE**

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

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

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client's initial request for services.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the of person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within 10 business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within 10 business days of FCMAT's receipt of requested documents and data.
Orientation meeting	First day of fieldwork.
Exit meeting	Last day of fieldwork.
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Client uploads supplemental documents and data to FCMAT's online SharePoint repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within eight weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within 10 business days of FCMAT providing a draft report to the Client.

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

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing

capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

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

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

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

Prior to completion of fieldwork and upon written notice to FCMAT, the Client 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 Client does not provide written notice of termination prior to completion of fieldwork, the Team will complete its work and deliver its final report and the Client will be responsible for the full costs.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT.

8. INDEPENDENT CONTRACTOR

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

9. RECORDS

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

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

10. CONTACT WITH PUPILS

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

11. INSURANCE

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

12. HOLD HARMLESS

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

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).
- C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client’s contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT’s process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT’s job lead assigned to the study.

Name: Kuldeep Kaur, Vice Chancellor, Administrative Services


Telephone: (530) 741-6723

Email: Kkaur@yccd.edu

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:


Wrenna Finche (Feb 13, 2024 11:12 PST)

Feb 13, 2024

Wrenna Finche
Vice Chancellor, College Finance and Facilities Planning
California Community Colleges Chancellor’s Office

Date

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2024.02.15 11:25:28 -08'00'

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

Date