FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

# Fiscal Health Risk Analysis

May 13, 2026



# Pacifica School District

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

May 13, 2026

Carisa Bowman, Ed.D.
Superintendent
Pacifica School District
411 Oceana Blvd.
Pacifica, CA 94044

Dear Superintendent Bowman:

In March 2026, the Pacifica School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

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

This report contains the FHRA report with the study team's findings and recommendations. Please review the draft report and provide any factual corrections by May 6, 2026.

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

Sincerely,

Michael H. Fine
Chief Executive Officer

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# About FCMAT

## Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

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

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policymakers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

## History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

# Introduction

## Background

The Pacifica School District is governed by a five-member board of trustees and serves approximately 2,652 students in transitional kindergarten (TK) through grade 8. The district is in San Mateo County, on the California coast. For the 2025-26 fiscal year, the district relocated students from Ocean Shore Elementary to Sunset Ridge Elementary and consolidated the two schools. The district office was subsequently relocated to the former Ocean Shore Elementary site. The district's 2024-25 unduplicated pupil percentage, which includes students eligible for free or reduced-price meals, English learners, and homeless or foster youth, is 23.53%, according to EdData.

In a letter dated February 18, 2026, the San Mateo County Superintendent of Schools initially concurred with the district's positive[1] certification of its first interim report but identified concerns related to deficit spending and the need for fiscal stabilization. Based on additional information subsequently provided by the district, the county superintendent required submission of a revised multiyear projection (MYP) and a fiscal stabilization plan by February 24, 2026.

As noted in the county superintendent's follow-up letter dated February 26, 2026, the district did not provide the required information by the established deadline. As a result, and in accordance with Education Code 42127.6, the county superintendent determined that the district may be unable to meet its financial obligations for the current or two subsequent fiscal years and designated the district as a "lack of going concern." The county superintendent assigned a fiscal expert to advise the district and required the development of a fiscal stabilization plan to be incorporated into the district's 2026-27 adopted budget.

Other items identified in the county superintendent's February 26, 2026 letter included:

- The 2024-25 unaudited actuals reflected a decrease of approximately $480,000 in the unrestricted general fund compared to estimated actuals.
- Position control concerns related to vacant positions not being appropriately incorporated into the first interim report.
- Approximately $1.2 million in special education costs that were not included in the first interim budget.
- Declining enrollment.
- A projected negative fund balance in the unrestricted general fund for the current fiscal year.
- Limited progress in implementing fiscal stabilization actions, including the lack of board action on planned staffing reductions.
- Significant turnover in key district leadership positions.

FCMAT performed a fiscal health risk analysis using financial data from the district's 2025-26 first interim budget report to determine the district's level of risk of insolvency.

[1] A positive certification is assigned when a school district is projected to meet its financial obligations for the current fiscal year and the two subsequent fiscal years.

# Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Pacifica School District on March 3, 2026, and a study team visited the district on April 14-15 to conduct interviews, collect data and review documents. After the fieldwork, the study team continued to analyze the documents and data. This report summarizes the team's findings and conclusions from those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

FCMAT relies on publicly available, authoritative data sources and provides direct links to sources where appropriate; however, sources sometimes differ in the data they provide, or their data may be revised over time due to various factors. FCMAT always strives to use the most accurate data available at the time of reporting.

# Study Team

The team was composed of the following members:

Marcus L. Wirowek, CFE
Intervention Specialist

Robbie Montalbano, CFE
Intervention Specialist

Jennifer Noga, CFE
Intervention Specialist

Cassady Clifton
FCMAT Technical Writer

Each team member reviewed the draft report to confirm its accuracy and to achieve consensus on the analysis.

# Fiscal Health Risk Analysis
## For TK-12 School Districts

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Dates of fieldwork: April 14-15, 2026

School District: Pacifica School District

## Summary

FCMAT conducted an FHRA of the Pacifica School District using financial data from the district's 2025-26 first interim report, interviews with district staff, and a review of fiscal and operational documentation provided by both the district and the county office. Based on the analysis, the district's overall fiscal solvency risk level is High, with a risk score of 49.3%. In addition, specific conditions identified in the analysis — most notably incomplete financial reporting, deficit spending without a governing board-approved corrective plan, and weaknesses in internal controls — would independently elevate the district's fiscal risk, even if the overall score were lower.

The FHRA identified significant deficiencies in budget development, budget monitoring, and financial transparency. Budget assumptions are not consistently documented or clearly articulated in writing, limiting the board's ability to evaluate the reasonableness of financial projections and understand changes between reporting periods. The board approved the first interim report without the Criteria and Standards section of the budget report, which is a required component of fiscal reporting per Education Code 42130. Interim reports also did not fully reflect known and material expenditures, including county office special education costs, resulting in an inaccurate depiction of the district's financial position. As a result, the district is deficit spending in the current year without an adopted plan to eliminate its structural imbalance, while relying on one-time revenues — such as parcel tax proceeds set to expire in 2027 — to support ongoing expenditures.

Many of these fiscal conditions are directly linked to significant turnover in key administrative and fiscal leadership positions and the lack of established or consistently implemented processes and procedures. High turnover among superintendents, chief business officials, and other administrators has disrupted continuity, weakened institutional knowledge, and led to inconsistent or nonexistent fiscal practices. The district relies heavily on consultants to prepare core fiscal documents, including budgets and interim reports, which indicates limited internal capacity and contributes to gaps in accountability, documentation, and internal controls. Weaknesses in cash management, position control, and segregation of duties further reflect the absence of stable systems typically developed and maintained through consistent leadership.

The county superintendent has assigned a fiscal expert to the district; however, a comprehensive, board-approved fiscal stabilization plan had not been implemented at the time of FCMAT's review.

### District Fiscal Solvency Risk Level: High

## Subsequent Events:

Subsequent to FCMAT's fieldwork and review of the district's 2025-26 first interim report, the district prepared its 2025-26 second interim budget. FCMAT reviewed the second interim information to identify significant changes that could affect the district's fiscal condition.

FCMAT's review identified the following:

- The district's second interim report continues to omit material expenditures, including county office special education costs, resulting in an incomplete and potentially understated projection of ongoing obligations.
- The district projects a transfer in of approximately $1 million from Fund 20 (Other Post-Employment Benefits) to the unrestricted general fund. This represents the use of one-time resources to support ongoing expenditures and does not address the district's underlying structural deficit.
- The MYP for the unrestricted general fund includes reductions to certificated salaries of approximately $554,821 in 2026-27 and $56,000 in 2027-28, as well as a reduction of approximately $8,001 to classified salaries. It also includes additional expenditure reductions of $375,000 in 2026-27 and $450,000 in 2027-28 reflected in "Other Adjustments" (Line B10). These reductions are not supported by specific, identifiable actions or assumptions, limiting the reliability of the district's MYP.

Overall, the district's second interim projections for the unrestricted general fund continue to reflect omitted expenditures, reliance on one-time resources, and unsupported assumptions, limiting the reliability of projected out-year balances.

# About the Analysis

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

The FHRA consists of 20 sections, each including specific questions related to essential functions and processes. These sections and questions are based on FCMAT's extensive work since the inception of Assembly Bill 1200 in 1991 and represent common indicators of fiscal risk or potential insolvency observed in school districts that have neared insolvency and required external assistance. Each analysis section affects fiscal stability, and neglecting any of these areas will ultimately lead to the district's fiscal failure. The analysis aims to determine the district's level of risk at the time of evaluation.

A higher number of "No" responses in the analysis indicates an increased risk of insolvency or other fiscal issues for the district. Not all sections or questions carry equal weight; some areas pose a higher risk and thus have a greater impact on the district's fiscal stability. To help the district, narratives are provided for each "No" response, explaining the reasoning behind the response and outlining the actions needed to achieve a "Yes" in the future.

Identifying issues early is the key to maintaining fiscal health. Diligent planning allows school districts to better understand their financial objectives and implement strategies that sustain fiscal efficiency and long-term solvency. School districts should consider completing the FHRA annually to assess their fiscal health and track their progress.

## Areas of High Risk

The following sections on this page and the next two pages repeat certain questions and answers found in the "Fiscal Health Risk Analysis Questions" section later in this report. These sections identify conditions that create a significant risk of fiscal insolvency. A "No" response to any of these questions will supersede all other scoring and elevate the district's overall risk level.

## Budget and Fiscal Status: Is the district currently *without* the following?

| | Yes | No |
|---|---|---|
| **Disapproved budget** | ✓ | ☐ |
| **Negative interim report certification** | ✓ | ☐ |
| **Three consecutive qualified interim report certifications** | ✓ | ☐ |
| **Downgrade of an interim certification by the county superintendent** | ✓ | ☐ |
| **"Lack of going concern" designation.** | ☐ | ✓ |

## Material Weakness Questions

| | | Yes | No | N/A |
|---|---|---|---|---|
| **2.5** | **Has the district's budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years** | ✓ | ☐ | ☐ |
| **3.4** | **Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?** | ☐ | ✓ | ☐ |

| | | | | |
|---|---|---|---|---|
| **3.6** | **Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?** | ☐ | ✓ | ☐ |
| **4.3** | **Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?** | ✓ | ☐ | ☐ |
| **4.4** | **If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?** | ☐ | ☐ | ✓ |
| **5.2** | **Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?** | ☐ | ☐ | ✓ |
| **5.3** | **Are all charters authorized by the district going concerns and not in fiscal distress?** | ☐ | ☐ | ✓ |
| **6.3** | **Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?** | ☐ | ✓ | ☐ |
| **6.4** | **Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?** | ☐ | ✓ | ☐ |
| **7.2** | **If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?** | ☐ | ☐ | ✓ |
| **8.3** | **If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?** | ☐ | ✓ | ☐ |
| **10.5** | **Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?** | ✓ | ☐ | ☐ |
| **11.2** | **Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?** | ☐ | ✓ | ☐ |
| **12.1** | **Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the State Standards and Criteria for Fiscal Solvency?** | ✓ | ☐ | ☐ |
| **12.2** | **Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?** | ✓ | ☐ | ☐ |
| **12.3** | **If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?** | ☐ | ☐ | ✓ |
| **19.1** | **Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?** | ☐ | ✓ | ☐ |

# Score Breakdown by Section

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

| | | |
|---|---|---|
| 1. | Annual Independent Audit Report | 0.2% |
| 2. | Budget Development and Adoption | 3.4% |
| 3. | Budget Monitoring and Updates | 6.0% |
| 4. | Cash Management | 1.0% |
| 5. | Charter Schools | 0.0% |
| 6. | Collective Bargaining Agreements | 6.2% |
| 7. | Contributions and Transfers | 2.0% |
| 8. | Deficit Spending (Unrestricted General Fund) | 2.0% |
| 9. | Employee Benefits | 1.6% |
| 10. | Enrollment and Attendance | 4.6% |
| 11. | Facilities | 0.8% |
| 12. | Fund Balance and Reserve for Economic Uncertainty | 0.0% |
| 13. | General Fund - Current Year | 2.8% |
| 14. | Information Systems and Data Management | 0.0% |
| 15. | Internal Controls and Fraud Prevention | 5.6% |
| 16. | Leadership and Stability | 2.6% |
| 17. | Multiyear Projections | 3.0% |
| 18. | Non-Voter-Approved Debt and Risk Management | 0.0% |
| 19. | Position Control | 5.0% |
| 20. | Special Education | 2.4% |
| **Score** | | **49.3%** |

# Fiscal Health Risk Analysis Questions

## 1. Annual Independent Audit Report

| | | Yes | No | N/A |
|---|---|---|---|---|
| 1.1 | **Has the district recorded findings from the most recent and prior two years' audits without negatively affecting its fiscal health?** | ☐ | ☐ | ✓ |
| 1.2 | **Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?** | ☐ | ✓ | ☐ |

The district's 2024-25 audit report was not completed or presented to the board within the statutory timeline per EC 41020. At the time of fieldwork, the audit report had not yet been finalized.

| | | | | |
|---|---|---|---|---|
| 1.3 | **Were the district's most recent and prior two audit reports free of findings of material weakness?** | ✓ | ☐ | ☐ |
| 1.4 | **Has the district corrected all audit findings from the most recent and prior two audits?** | ✓ | ☐ | ☐ |

## 2. Budget Development and Adoption

| | | Yes | No | N/A |
|---|---|---|---|---|
| 2.1 | **Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county superintendent of schools' instructions, and have been clearly articulated?** | ☐ | ✓ | ☐ |

A presentation for the district's 2025-26 adopted budget was not provided for review, and the board agenda did not include a copy of a budget presentation. As a result, FCMAT could not determine whether assumptions were clearly articulated at the time of budget adoption or aligned with county superintendent guidance.

Based on materials reviewed, including the 2024-25 adopted budget presentation and the 2025-26 first interim presentation, key assumptions are not consistently documented in writing and lack sufficient detail. Key assumptions – such as enrollment and average daily attendance (ADA) projections, consumer price index adjustments, Lottery and Mandated Block Grant rates per ADA, interest rates, California Public Employees' Retirement System and California State Teachers' Retirement System contribution rates, and step-and-column increases – are not clearly identified.

Multiyear projection assumptions are also presented as a list of factors without specific rates or percentages. Assumptions are often described in general terms, such as declining enrollment or slight revenue increases, without identifying the specific data or calculations used. Presentations do not consistently distinguish between unrestricted and restricted resources. Although these assumptions may be discussed during presentations, the lack of written documentation limits their usefulness for future reference.

In addition, the Standardized Account Code Structure (SACS) reports provided to the board do not include a written narrative or explanation. These reports are highly technical and difficult to interpret without additional context. The absence of a written narrative reduces the clarity and transparency of the financial information presented to board members and the public.

| | | | | |
|---|---|---|---|---|
| **2.2** | **Does the district use a budget development method other than a prior-year rollover budget and if so, does that method include tasks such as reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses?** | ☐ | ✓ | ☐ |

FCMAT's review of the district's 2025-26 first interim report and adopted budget, along with interviews with district staff, indicated that the district is not using a budget development method that adequately analyzes prior year estimated actuals or removes one-time revenues and expenditures. The district continues to rely on one-time funding sources, such as parcel tax revenues set to expire on June 30, 2027, to support ongoing expenditures.

In addition, a comparison of the 2024-25 estimated actuals to the 2025-26 adopted budget identified the exclusion of known expenditures, including special education costs, indicating that prior year actual spending is not consistently reviewed during budget development. The district's MYPs also reflect minimal changes in major revenue sources across the projection period, suggesting that assumptions are not being meaningfully evaluated or adjusted. Together, these conditions indicate weaknesses in the district's budget development practices.

| | | | | |
|---|---|---|---|---|
| **2.3** | **Does the district use position control data for budget development?** | ✓ | ☐ | ☐ |
| **2.4** | **Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly?** | ✓ | ☐ | ☐ |
| **2.5** | **Has the district's budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years?** | ✓ | ☐ | ☐ |
| **2.6** | **Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?** | ✓ | ☐ | ☐ |
| **2.7** | **Does the district budget and expend restricted funds before unrestricted funds?** | ☐ | ✓ | ☐ |

The district's unaudited actuals reports indicate that restricted funds are not consistently expended before unrestricted resources. While the unrestricted ending fund balance declined significantly from $3.9 million in both 2022-23 and 2023-24 to $0.9 million in 2024-25, restricted ending fund balances remained relatively consistent at $4.2 million in 2022-23, $3.9 million in 2023-24, and $3.9 million in 2024-25. This trend suggests that restricted funds are being carried forward rather than fully used, while unrestricted resources continue to be depleted.

In addition, interviews indicated that the district is returning a portion of restricted funding, including approximately $232,000 from the California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE) grant, and continues to carry a balance in the Proposition 28: Arts and Music in Schools grant within its MYPs. This further indicates the lack of a clear plan to fully expend available restricted resources.

| | | | | |
|---|---|---|---|---|
| **2.8** | **Have the district's Local Control and Accountability Plan (LCAP) and budget been adopted within the statutory timelines established by EC 42103 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and prior fiscal year?** | ✓ | ☐ | ☐ |
| **2.9** | **Has the district refrained from including carryover funds in its adopted budget?** | ✓ | ☐ | ☐ |
| **2.10** | **Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?** | ✓ | ☐ | ☐ |

**2.11 Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district's unrestricted general fund?** . . . . . ☐ ✓ ☐

Although the district has adopted Board Policy 3290 – Gifts, Grants, and Bequests, interviews indicated that administrative staff were not aware of the policy or the procedures it outlines. As a result, the district does not have a consistently implemented process for evaluating the acceptance of grants and other restricted funds, including consideration of the potential multiyear impact on the unrestricted general fund. This lack of awareness may be influenced by recent staffing changes and the district's reliance on consultants for certain functions.

**2.12 Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?** . . . . . ☐ ✓ ☐

The district does not use a formal budget calendar that indicates statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them.

## 3. Budget Monitoring and Updates

| | | Yes | No | N/A |
|---|---|---|---|---|
| **3.1** | **Are actual revenues and expenses consistent with the most current budget?** . . . . . | ☐ | ✓ | ☐ |
| **3.2** | **Are budget revisions posted in the financial system at each interim reporting period, at a minimum?** . . . . . | ✓ | ☐ | ☐ |
| **3.3** | **Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum?** . . . . . | ☐ | ✓ | ☐ |

Actual revenues and expenditures are not consistent with the district's most current budget. The county superintendent identified multiple discrepancies in the district's first interim budget, including $1.2 million in special education costs and additional staffing costs that were not included. These omissions indicate that the budget does not fully reflect actual or projected financial activity.

The district does not consistently provide the board with clearly written and articulated budget assumptions to support budget revisions during interim reporting periods. While the district provides presentations with its interim reports, these materials do not include all major assumptions or sufficient detail to explain changes in revenues and expenditures since the prior reporting period.

As noted in items 2.1 and 17.1, assumptions are not consistently documented or detailed enough to identify the specific rates, percentages, and underlying data used to support budget revisions. In addition, SACS reports are provided without a written narrative or explanation, and interim reports do not clearly identify budget revisions or explain their impact.

As a result, the board lacks the information necessary to fully understand the basis for budget revisions or their effect on the district's financial position.

**3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?** . . . . . ☐ ✓ ☐

The district did not provide documentation demonstrating that budget revisions were consistently made to reflect collective bargaining agreement costs following board approval.

**3.5 Do the district's responses fully explain the variances identified in the SACS Criteria and Standards Review form?** . . . . . ☐ ✓ ☐

As discussed in the summary, the district did not initially provide the Criteria and Standards Review form for the 2025-26 first interim report. FCMAT obtained a copy of the complete official SACS report from staff upon arrival. The district's responses did not fully explain the variances identified in the SACS Criteria and Standards Review form.

FCMAT reviewed the district's 2025-26 first interim report and identified inconsistencies between reported amounts and explanations, errors in other post-employment benefits contribution data, and incomplete responses related to salary settlements. In addition, conflicting information was identified between Criteria and Standards responses and Assembly Bill 1200 (Chapter 1213, Statutes of 1991) disclosures.

**3.6 Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?** . . . . . ☐ ✓ ☐

The district did not address deficiencies identified by the county superintendent. The county superintendent required the district to submit a revised MYP and fiscal stabilization plan by February 24, 2026; however, the district did not provide the requested information by the deadline.

As noted in the county superintendent's February 26, 2026 letter, the required information had not been submitted, and this lack of response contributed to the county superintendent's determination that the district may be unable to meet its financial obligations for the current or two subsequent fiscal years and its designation as a lack of going concern. Following this determination, the county superintendent and the district agreed that the fiscal stabilization plan would be incorporated into the district's adopted budget.

**3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?** . . . . . ☐ ✓ ☐

The district does not consistently prevent the processing of requisitions or purchase orders when sufficient budget is unavailable. Interviews indicated that the system allows sites and departments to enter purchase requisitions and create pre-encumbrances; however, budget sufficiency is not verified until business office staff review and process the purchase order.

In practice, this control is not consistently enforced. Interviews and document review indicated that expenditures may be processed without a purchase order or when budgeted amounts are insufficient. As a result, expenditures may exceed budgeted amounts, indicating that the district's process does not consistently prevent overspending.

**3.8 Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed?** . . . . . ✓ ☐ ☐

| | | Yes | No | N/A |
|---|---|---|---|---|
| 3.9 | For the most recent and two prior fiscal years, have the district's interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code? | ✓ | ☐ | ☐ |

## 4. Cash Management

| | | Yes | No | N/A |
|---|---|---|---|---|
| 4.1 | Are accounts held by the county treasurer reconciled with the district's and county office of education's (COE) reports monthly? | ✓ | ☐ | ☐ |
| 4.2 | Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner? | ☐ | ✓ | ☐ |
| | The district did not provide evidence demonstrating that all bank accounts, including cash and cash equivalent accounts, are regularly reconciled. | | | |
| 4.3 | Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? | ✓ | ☐ | ☐ |
| 4.4 | If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year? | ☐ | ☐ | ✓ |
| 4.5 | Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?. | ✓ | ☐ | ☐ |
| 4.6 | If the district uses interfund borrowing, is it complying with EC 42603?. | ☐ | ☐ | ✓ |
| 4.7 | If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement? | ☐ | ☐ | ✓ |

## 5. Charter Schools

| | | Yes | No | N/A |
|---|---|---|---|---|
| 5.1 | Does the district have a board policy, memorandum of understanding (MOU), or other written document(s) regarding charter oversight? | ✓ | ☐ | ☐ |
| 5.2 | Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32? | ☐ | ☐ | ✓ |
| 5.3 | Are all charters authorized by the district going concerns and not in fiscal distress? | ☐ | ☐ | ✓ |
| 5.4 | Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools? | ☐ | ☐ | ✓ |
| 5.5 | Does the district monitor charter school audits for timeliness, completeness, and exceptions? | ☐ | ☐ | ✓ |

## 6. Collective Bargaining Agreements

| | | Yes | No | N/A |
|---|---|---|---|---|
| 6.1 | Has the district settled with all its bargaining units for the past two fiscal years? | ✓ | ☐ | ☐ |

| | | | | |
|---|---|---|---|---|
| **6.2** | **Has the district settled with all its bargaining units for the current year?** | ☐ | ✓ | ☐ |

At the time of fieldwork, the district had not settled with its certificated and classified bargaining units for the current year.

| | | | | |
|---|---|---|---|---|
| **6.3** | **Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?** | ☐ | ✓ | ☐ |

The Criteria and Standards: Cost Analysis of District's Labor Agreements section was incomplete in the 2025-26 first interim report, and the public disclosures were not signed off by the chief business official (CBO).

| | | | | |
|---|---|---|---|---|
| **6.4** | **Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?** | ☐ | ✓ | ☐ |

Interviews indicated that multiple scenarios were developed to demonstrate different options, and this information was shared with the superintendent. However, these documents were not provided to FCMAT for review.

| | | | | |
|---|---|---|---|---|
| **6.5** | **In the current and prior two fiscal years, has the total cost of the district's bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)?** | ☐ | ✓ | ☐ |

For the 2024-25 fiscal year, the district provided off-salary-schedule payments of 3.5% to certificated staff and 2.5% to classified staff, both of which exceeded the state-funded COLA of 1.07%.

| | | | | |
|---|---|---|---|---|
| **6.6** | **If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)?** | ☐ | ☐ | ✓ |
| **6.7** | **Did the district comply with public disclosure requirements under Government Codes 3540.2 and 3547.5, and EC 42142?** | ☐ | ✓ | ☐ |

Documents provided to FCMAT and prior board meeting agendas indicate that the public disclosure lacked the required signatures. In addition, the former director of human resources signed in place of the CBO. Government Code 3547.5 requires the CBO to sign the public disclosures.

| | | | | |
|---|---|---|---|---|
| **6.8** | **Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval?** | ☐ | ✓ | ☐ |

See item 6.7.

| | | | | |
|---|---|---|---|---|
| **6.9** | **Is the governing board's action consistent with the superintendent's and CBO's certification?** | ☐ | ✓ | ☐ |

See item 6.7.

# 7. Contributions and Transfers

| | | Yes | No | N/A |
|---|---|---|---|---|
| **7.1** | **Does the district have an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds?** | ☐ | ✓ | ☐ |

The district lacks a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.

| | | | | |
|---|---|---|---|---|
| **7.2** | **If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?** | ☐ | ☐ | ✓ |
| **7.3** | **If any contributions or transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?** | ☐ | ✓ | ☐ |

The district has not consistently budgeted contributions at reasonable levels based on prior-year trends and known cost increases. Contributions to restricted programs increased from $6.9 million in 2023-24 to $8.6 million in 2024-25; however, the 2025-26 adopted budget reflected a lower amount of $5.4 million. The first interim report increased contributions to $6.5 million; however, this amount remains understated relative to prior-year actuals.

The county superintendent's February 26, 2026 letter further identified that approximately $1.2 million in special education costs were not included in the first interim budget, indicating that current year contributions are understated.

Additionally, the district's MYPs reflect contribution levels of approximately $5.4 million to $5.6 million in 2026-27 and 2027-28, which are more closely aligned with the lower adopted budget rather than with recent actual expenditures. These projections do not reflect prior-year trends or known cost pressures, indicating that contributions are not budgeted at reasonable levels.

## 8. Deficit Spending (Unrestricted General Fund)

| | | Yes | No | N/A |
|---|---|---|---|---|
| **8.1** | **Is the district avoiding deficit spending in the current fiscal year?** | ☐ | ✓ | ☐ |

Based on the district's 2025-26 first interim report, the district is projecting approximately $495,000 in deficit spending in the unrestricted general fund.

| | | | | |
|---|---|---|---|---|
| **8.2** | **Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?** | ✓ | ☐ | ☐ |
| **8.3** | **If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?** | ☐ | ✓ | ☐ |

As of the district's 2025-26 first interim report, the board had not approved a plan to reduce or eliminate deficit spending.

| | | | | |
|---|---|---|---|---|
| **8.4** | **Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?** | ✓ | ☐ | ☐ |

## 9. Employee Benefits

| | | Yes | No | N/A |
|---|---|---|---|---|
| **9.1** | **Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)?** | ☐ | ✓ | ☐ |

The district provided a draft report dated January 14, 2026; however, a final report was not provided to FCMAT.

| | | Yes | No | N/A |
|---|---|---|---|---|
| **9.2** | **Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district's unrestricted general fund revenues?** | ✓ | ☐ | ☐ |
| **9.3** | **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?** | ☐ | ✓ | ☐ |
| | According to interviews, the district has not conducted a verification and determination of eligibility for benefits for all active and retired employees and their dependents within the last five years. | | | |
| **9.4** | **Does the district track, reconcile and report employees' compensated leave balances?** | ✓ | ☐ | ☐ |
| **9.5** | **Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?** | ✓ | ☐ | ☐ |

## 10. Enrollment and Attendance

| | | Yes | No | N/A |
|---|---|---|---|---|
| **10.1** | **Has the district's enrollment been increasing or remained stable for the current and two prior years?** | ☐ | ✓ | ☐ |
| | According to EdData, the district experienced declining enrollment in 2022-23, 2023-24, and 2024-25, with an average annual decrease of approximately 67 students. | | | |
| **10.2** | **Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)?** | ☐ | ✓ | ☐ |
| | According to interviews, school sites analyze and monitor attendance at least monthly. However, due to significant turnover in district administrative positions, staff were unclear about who is monitoring ADA and enrollment at the district level. | | | |
| **10.3** | **Does the district track historical enrollment and ADA data to project future trends?** | ☐ | ✓ | ☐ |
| | Interviews with staff indicated that, due to significant turnover in district administrative positions, staff were unclear about who is responsible for tracking ADA and enrollment and using that information to project future trends. | | | |
| **10.4** | **Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels?** | ☐ | ✓ | ☐ |
| | Interviews with staff indicated that, due to significant turnover in district administrative positions, staff were unclear about who at the district office is responsible for reconciling enrollment and attendance at the district level. | | | |
| **10.5** | **Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?** | ✓ | ☐ | ☐ |
| **10.6** | **Has the district planned for enrollment losses to any charter schools?** | ☐ | ☐ | ✓ |
| **10.7** | **Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines?** | ☐ | ✓ | ☐ |
| | Interviews indicated that school and district staff are not aware that they are responsible for reviewing and verifying CALPADS data before it is submitted. | | | |

| | | | | |
|---|---|---|---|---|
| **10.8** | **Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines?** | ✓ | ☐ | ☐ |
| **10.9** | **Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?** | ✓ | ☐ | ☐ |
| **10.10** | **Does the district adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code?** | ✓ | ☐ | ☐ |

## 11. Facilities

| | | Yes | No | N/A |
|---|---|---|---|---|
| **11.1** | **If the district participates in the state's School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account?** | ✓ | ☐ | ☐ |
| **11.2** | **Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?** | ☐ | ✓ | ☐ |
| | Given the significant turnover in management positions, staff are unclear about the district's existing contracted obligations and whether sufficient resources are available to meet them. | | | |
| **11.3** | **Does the district properly track and account for facility-related projects?** | ☐ | ✓ | ☐ |
| | Interviews indicated that, due to significant turnover in management positions, staff are unclear about who is responsible for accounting for and tracking facility-related projects. | | | |
| **11.4** | **Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction's loading standards?** | ☐ | ✓ | ☐ |
| | Based on the district's 2024-25 enrollment and the site capacities identified in the 2019 Facilities Master Plan, the district is operating at approximately 81% overall capacity, with the lowest-used site at 67% capacity. | | | |
| **11.5** | **Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget?** | ☐ | ✓ | ☐ |
| | Interviews indicated that, due to the turnover in the CBO position over the past several years, the district does not incorporate facility needs into budget development. | | | |
| **11.6** | **Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?** | ☐ | ✓ | ☐ |
| | According to the district's 2025 Facilities Inspection Tool report, the following schools received a "Fair" rating: Cabrillo School, Ingrid B. Lacy School, Ocean Shore Elementary, Ortega School, Sunset Ridge Elementary, and Vallemar School. A "Fair" rating indicates that the school is not in good repair, with some deficiencies identified as critical and/or widespread. Repairs or additional maintenance are necessary in several areas of the school site. | | | |

| | | | | |
|---|---|---|---|---|
| **11.7** | **If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?** | ☐ | ✓ | ☐ |

Although the district previously had an active citizens' bond oversight committee, several seats have recently become vacant, and the district is working to fill those vacancies and resume regular committee meetings. In addition, the audit for the 2024-25 fiscal year was not available for review.

| | | | | |
|---|---|---|---|---|
| **11.8** | **Does the district have a board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs?** | ☐ | ✓ | ☐ |

The most recent facilities master plan was completed in 2019.

## 12. Fund Balance and Reserve for Economic Uncertainties

| | | Yes | No | N/A |
|---|---|---|---|---|
| **12.1** | **Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the State Standards and Criteria for Fiscal Solvency?** | ✓ | ☐ | ☐ |
| **12.2** | **Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?** | ✓ | ☐ | ☐ |
| **12.3** | **If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?** | ☐ | ☐ | ✓ |
| **12.4** | **Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions?** | ✓ | ☐ | ☐ |
| **12.5** | **If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level to cover these costs?** | ☐ | ☐ | ✓ |

## 13. General Fund – Current Year

| | | Yes | No | N/A |
|---|---|---|---|---|
| **13.1** | **Does the district ensure that one-time revenues do not pay for ongoing expenditures?** | ☐ | ✓ | ☐ |

The district does not ensure that one-time revenues are not used to support ongoing expenditures. As noted in item 2.2, the district's MYP included parcel tax revenues that are set to expire June 30, 2027, without clearly adjusting expenditures to account for the loss of that revenue. This creates a structural imbalance and increases the risk of future budget shortfalls.

| | | | | |
|---|---|---|---|---|
| **13.2** | **Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the prior year statewide average?** | ✓ | ☐ | ☐ |
| **13.3** | **Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below that of the prior two years?** | ✓ | ☐ | ☐ |
| **13.4** | **If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or prior two years, is the district addressing the complaint(s)?** | ☐ | ☐ | ✓ |

| | | | | |
|---|---|---|---|---|
| **13.5** | **For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds?** | ☐ | ✓ | ☐ |

The district does not have a documented plan to ensure that positions supported by one-time funding or restricted funding sources are sustainable. As discussed previously, the district relies on one-time funding sources such as the parcel tax, which is set to expire June 30, 2027; however, the district has not identified a clear plan for how these positions will be funded once those revenues are no longer available.

| | | | | |
|---|---|---|---|---|
| **13.6** | **Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?** | ☐ | ✓ | ☐ |

The district is not consistently expending restricted funds within required time frames. Interviews indicated that the district is returning a portion of restricted funding, including funding from the CalSHAPE grant, rather than fully using the allocation.

| | | | | |
|---|---|---|---|---|
| **13.7** | **Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?** | ☐ | ✓ | ☐ |

The district does not consistently account for all allowable program costs, including indirect costs, across restricted resources and other funds. Interviews and FCMAT's review of the district's 2025-26 first interim report indicated that indirect costs are primarily applied to federal programs and are not consistently charged to applicable state programs.

For example, certain state programs, including the Expanded Learning Opportunities Program and the Routine Restricted Maintenance Account, are not consistently charged indirect costs during interim reporting periods. A review of the district's 2024-25 unaudited actuals indicates that some indirect costs were applied to state programs at year-end; however, because these costs were not consistently reflected throughout the fiscal year, interim reports did not fully capture total program costs.

| | | | | |
|---|---|---|---|---|
| **13.8** | **Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close?** | ✓ | ☐ | ☐ |

## 14. Information Systems and Data Management

| | | Yes | No | N/A |
|---|---|---|---|---|
| **14.1** | **Does the district use an integrated financial and human resources system?** | ✓ | ☐ | ☐ |
| **14.2** | **Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?** | ✓ | ☐ | ☐ |
| **14.3** | **Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?** | ✓ | ☐ | ☐ |
| **14.4** | **Is the district using the same financial system as its COE?** | ✓ | ☐ | ☐ |
| **14.5** | **If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems?** | ☐ | ☐ | ✓ |
| **14.6** | **If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE can provide oversight, review and assistance?** | ☐ | ☐ | ✓ |

# 15. Internal Controls and Fraud Prevention

| | | Yes | No | N/A |
|---|---|---|---|---|
| **15.1** | **Does the district have controls that limit access to its financial system and include multiple levels of authorization?** | ☐ | ✓ | ☐ |
| | Due to significant turnover in management positions at the district office, interviews indicated that some staff have super-user or administrator access to the financial system and that their work is not monitored or reviewed. This access and related staff processes do not support adequate segregation of duties across accounts payable, accounts receivable, purchasing, payroll and human resources. | | | |
| **15.2** | **Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually?** | ✓ | ☐ | ☐ |
| **15.3** | **Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:** | | | |
| | • **Accounts payable (AP).** | ☐ | ✓ | ☐ |
| | See item 15.1. | | | |
| | • **Accounts receivable (AR).** | ☐ | ✓ | ☐ |
| | See item 15.1. | | | |
| | • **Purchasing and contracts.** | ☐ | ✓ | ☐ |
| | See item 15.1. | | | |
| | • **Payroll.** | ☐ | ✓ | ☐ |
| | See item 15.1. | | | |
| | • **Human resources (i.e., duties related to position control and payroll processes).** | ☐ | ✓ | ☐ |
| | See item 15.1. | | | |
| **15.4** | **Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?** | ✓ | ☐ | ☐ |
| **15.5** | **Does the district review and work to clear prior year accruals throughout the year?** | ✓ | ☐ | ☐ |
| **15.6** | **Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools?** | ✓ | ☐ | ☐ |
| **15.7** | **Does the district have processes and procedures to discourage and detect fraud?** | ✓ | ☐ | ☐ |
| **15.8** | **Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?** | ☐ | ✓ | ☐ |
| | Although the district has Board Policy and Administrative Regulation 3400 regarding fraud prevention, interviews indicated that staff were unaware of any established processes or procedures related to its implementation. | | | |
| **15.9** | **Does the district have an internal audit process?** | ☐ | ✓ | ☐ |
| | The district does not have an internal audit process. | | | |

# 16. Leadership and Stability

| | | Yes | No | N/A |
|---|---|---|---|---|
| **16.1** | **Does the district have a chief business official who has been in this position with the district for more than two years?** | ☐ | ✓ | ☐ |
| | At the time of fieldwork, the district had been operating with an interim CBO for several months. During that same week, however, the district extended an offer of employment to a candidate to serve as its next CBO. | | | |
| **16.2** | **Does the district have a superintendent who has been in this position with the district for more than two years?** | ☐ | ✓ | ☐ |
| | The district's interim superintendent assumed the permanent superintendent position effective March 1, 2026. | | | |
| **16.3** | **Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet?** | ✓ | ☐ | ☐ |
| **16.4** | **Is training on financial management and budget provided to school and department administrators who are responsible for budget management?** | ✓ | ☐ | ☐ |
| **16.5** | **Does the governing board adopt and revise policies and administrative regulations annually?** | ✓ | ☐ | ☐ |
| **16.6** | **Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff?** | ☐ | ✓ | ☐ |
| | The district did not provide documentation or evidence demonstrating that updates to board policies and administrative regulations are communicated to all staff. | | | |
| **16.7** | **Do all board members attend training on the budget and governance at least every two years?** | ✓ | ☐ | ☐ |
| **16.8** | **Is the superintendent's evaluation performed according to the terms of the contract?** | ☐ | ☐ | ✓ |
| **16.9** | **Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities?** | ☐ | ✓ | ☐ |
| | Due to significant turnover in management positions, the district has used a fiscal consultant to prepare its budget and interim reports for the past three fiscal years. | | | |

# 17. Multiyear Projections

| | | Yes | No | N/A |
|---|---|---|---|---|
| **17.1** | **Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?** | ☐ | ✓ | ☐ |
| | The district's MYPs identify factors impacting the projections but do not include detailed, quantified supporting assumptions, such as specific rates, percentages, or underlying data. As a result, FCMAT could not assess the reasonableness of the assumptions or determine whether they align with industry standards. | | | |
| **17.2** | **To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations?** | ✓ | ☐ | ☐ |

| | | | | |
|---|---|---|---|---|
| **17.3** | **Does the district use its most current multiyear projection when making financial decisions?** | ☐ | ✓ | ☐ |

Interviews indicated that the district uses its most current MYP when making financial decisions. However, concerns raised by county office staff call into question the accuracy and reliability of the projections used to inform those decisions.

The county superintendent identified multiple issues, including omitted expenditures (such as approximately $1.2 million in special education costs), additional staffing costs not reflected in the first interim report, and the effects of declining enrollment that were not fully incorporated into the projections. These issues indicate that the MYP may not fully reflect the district's actual financial position.

As a result, although the district may be using its most current projections, their effectiveness as a decision-making tool is limited if they are not accurate or complete.

| | | | | |
|---|---|---|---|---|
| **17.4** | **If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?** | ☐ | ✓ | ☐ |

The district used adjustment categories in lines B1d and B2d of the MYP; however, the required supporting detail was not provided. The SACS Form MYP includes a section requiring districts to document assumptions and explain significant adjustments reported in these lines. The district referenced "see attach" in this section, but no supporting documentation was included in the materials reviewed.

In addition, the SACS report provided to the board was incomplete and did not include all required supplemental forms, including the Criteria and Standards Review. The absence of these supporting documents limits transparency and prevents verification of the nature and reasonableness of the adjustments. As a result, FCMAT could not determine whether the adjustments included in lines B1d and B2d are reasonable.

## 18. Non-Voter-Approved Debt and Risk Management

| | | Yes | No | N/A |
|---|---|---|---|---|
| **18.1** | **Are the sources of repayment for non-voter-approved debt {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANs), revenue anticipation notes (RANs) and others} stable, predictable, and other than the unrestricted general fund?** | ☐ | ☐ | ✓ |
| **18.2** | **If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?** | ☐ | ☐ | ✓ |
| **18.3** | **If the district is self-insured, has it completed an actuarial valuation as required and does it have a plan to pay for any unfunded liabilities?** | ☐ | ☐ | ✓ |
| **18.4** | **If the district has non-voter-approved debt (such as COPs, bridge financing, BANs, RANs and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?** | ☐ | ☐ | ✓ |

# 19. Position Control

| | | Yes | No | N/A |
|---|---|---|---|---|
| 19.1 | **Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?** | ☐ | ✓ | ☐ |

The district recently transitioned to a new financial system, and interviews indicated that the position control system does not account for nonpositional costs, such as substitute pay and overtime.

| | | | | |
|---|---|---|---|---|
| 19.2 | **Does the district analyze and adjust staffing based on staffing ratios and enrollment?** | ✓ | ☐ | ☐ |
| 19.3 | **Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?** | ☐ | ✓ | ☐ |

The district does not perform regular reconciliations among budget, payroll, and position control. Interviews indicated that staff review budget, actuals, and encumbrances to identify differences; however, this review is performed on an ad hoc basis and does not constitute a formal reconciliation process.

In addition, the county superintendent identified approximately $480,000 in position-related costs associated with vacant positions that were not included in the first interim budget. This indicates that position control, payroll, and budget are not being consistently reconciled to ensure completeness and accuracy.

| | | | | |
|---|---|---|---|---|
| 19.4 | **Does the district identify a budget source for each new position before the position is authorized by the governing board?** | ☐ | ✓ | ☐ |

Interviews indicated that the district does not consistently identify a specific budget source for each new position before board authorization. While positions may be described as "grant-funded," the district does not identify the specific funding source or provide sufficient detail to verify that adequate funding is available.

| | | | | |
|---|---|---|---|---|
| 19.5 | **Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?** | ☐ | ✓ | ☐ |

Interviews indicated that new positions are posted without prior board authorization and that extra assignments are authorized without board approval.

| | | | | |
|---|---|---|---|---|
| 19.6 | **Do managers and staff responsible for the district's human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes?** | ☐ | ✓ | ☐ |

The district does not have a consistent, structured process for regular meetings among human resources, payroll, and budget staff. Interviews indicated that while communication occurs informally and staff may meet during cabinet meetings or on an as-needed basis, there are no regular, documented meetings among business services, human resources, and payroll staff.

# 20. Special Education

| | | Yes | No | N/A |
|---|---|---|---|---|
| 20.1 | **For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students' support needs also considered? If so, are those needs documented and evaluated at each budget cycle?** | ☐ | ✓ | ☐ |

The district did not provide clear documentation of the staffing ratios used.

| | | | | |
|---|---|---|---|---|
| **20.2** | **Does the district access all available funding sources for costs related to special education (e.g., state excess cost pool, legal fees, mental health)?** | ☐ | ✓ | ☐ |

Based on interviews with staff, the San Mateo County Special Education Local Plan Area maintains a contingency fund; however, the district has not requested reimbursement from that fund.

| | | | | |
|---|---|---|---|---|
| **20.3** | **Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?** | ✓ | ☐ | ☐ |
| **20.4** | **Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?** | ☐ | ✓ | ☐ |

For the 2025-26 first interim report, the district budgeted no indirect costs to special education. The district did not charge indirect costs to special education in 2023-24 or 2024-25.

| | | | | |
|---|---|---|---|---|
| **20.5** | **Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?** | ☐ | ✓ | ☐ |

The district does not monitor contributions from the unrestricted general fund to special education or adjust the budget to reflect program trends. Contributions to special education totaled $4.5 million in 2023-24 and $5.5 million in 2024-25. The 2025-26 adopted budget initially projected a contribution of $3.9 million, which was later revised to $5 million at first interim, bringing it more in line with recent trends.

| | | | | |
|---|---|---|---|---|
| **20.6** | **Is the district's rate of identification of students as eligible for special education at or below the countywide and statewide average rates?** | ☐ | ✓ | ☐ |

Based on 2025-26 data from the California Department of Education, excluding charter schools, the district's rate of identifying students as eligible for special education is 14.30%, which is below the statewide average of 15.70% but above the countywide average of 13.68%.

| | | | | |
|---|---|---|---|---|
| **20.7** | **Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period?** | ☐ | ✓ | ☐ |

The district did not complete the Special Education Maintenance of Effort forms for the 2025-26 first interim reporting period and could not provide alternative documentation demonstrating that it analyzes whether it will meet the maintenance of effort requirement.

| | |
|---|---|
| **Risk Score, 20 numbered sections only:** | **49.3%** |

**Key to Risk Score from 20 numbered sections only:**

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

| | |
|---|---|
| **District Fiscal Solvency Risk Level, all FHRA factors:** | **High** |

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

# Appendix

# Study Agreement

# Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM**
**STUDY AGREEMENT**
**FOR TRIGGERED FISCAL HEALTH RISK ANALYSIS**

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Pacifica School District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

## 1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions, FCMAT will study the Client's fiscal health because the county superintendent of schools designated the Client as a lack of going concern in accordance with EC 42127.6.

FCMAT will assign professionals to conduct the study. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

## 2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

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

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

3. Exit Meeting
   The Team will hold an exit meeting at the conclusion of the fieldwork to inform the

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

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

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

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

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

## 3. PROJECT PERSONNEL

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

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

## 4. PROJECT COSTS

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

## 5. RESPONSIBILITIES OF THE CLIENT

A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

B. Provide private office or conference room space for the Team's use during fieldwork.

C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

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

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

E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.

F. Facilitate access to requested board members, officers and staff for interviews.

G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.

I. Return the requested evaluation survey to FCMAT as described below.

## 6. PROJECT SCHEDULE

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

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

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

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

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

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

## 7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

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

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

## 8. INDEPENDENT CONTRACTOR

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

## 9. RECORDS

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

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

## 10. CONTACT WITH PUPILS

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

## 11. INSURANCE

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

Telephone: (650) 738-6600

Email: cbowman@pacificasd.org

## 17. SIGNATURES

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

For Client:

C Bowman 3/5/26

Dr. Carisa J. Bowman, Interim Superintendent — Date
Pacifica School District

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2026.03.12 08:49:14 -07'00'

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

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