

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

## Fiscal Health Risk Analysis

January 14, 2021



## Montebello Unified School District

Michael H. Fine  
Chief Executive Officer

# Contents

About FCMAT .....	3
Introduction .....	5
Background .....	5
Fiscal Health Risk Analysis Guidelines .....	5
Study Team .....	6
Fiscal Health Risk Analysis .....	7
Summary .....	7
About the Analysis.....	8
Areas of High Risk.....	8
Budget and Fiscal Status .....	8
Material Weakness Questions .....	8
Score Breakdown by Section.....	9
Fiscal Health Risk Analysis Questions.....	11
Budget and Fiscal Status .....	11
Annual Independent Audit Report.....	11
Budget Development and Adoption .....	11
Budget Monitoring and Updates.....	13
Cash Management.....	14
Charter Schools .....	14
Collective Bargaining Agreements.....	15
Contributions and Transfers .....	16
Deficit Spending (Unrestricted General Fund) .....	16
Employee Benefits.....	16

Enrollment and Attendance ..... 17

Facilities ..... 18

Fund Balance and Reserve for Economic Uncertainty..... 18

General Fund – Current Year ..... 19

Information Systems and Data Management..... 20

Internal Controls and Fraud Prevention ..... 21

Leadership and Stability ..... 21

Multiyear Projections..... 22

Non-Voter-Approved Debt and Risk Management ..... 22

Position Control ..... 22

Special Education..... 23

Key to Risk Score from 20 numbered sections only ..... 24

District Fiscal Solvency Risk Level, all FHRA factors ..... 24

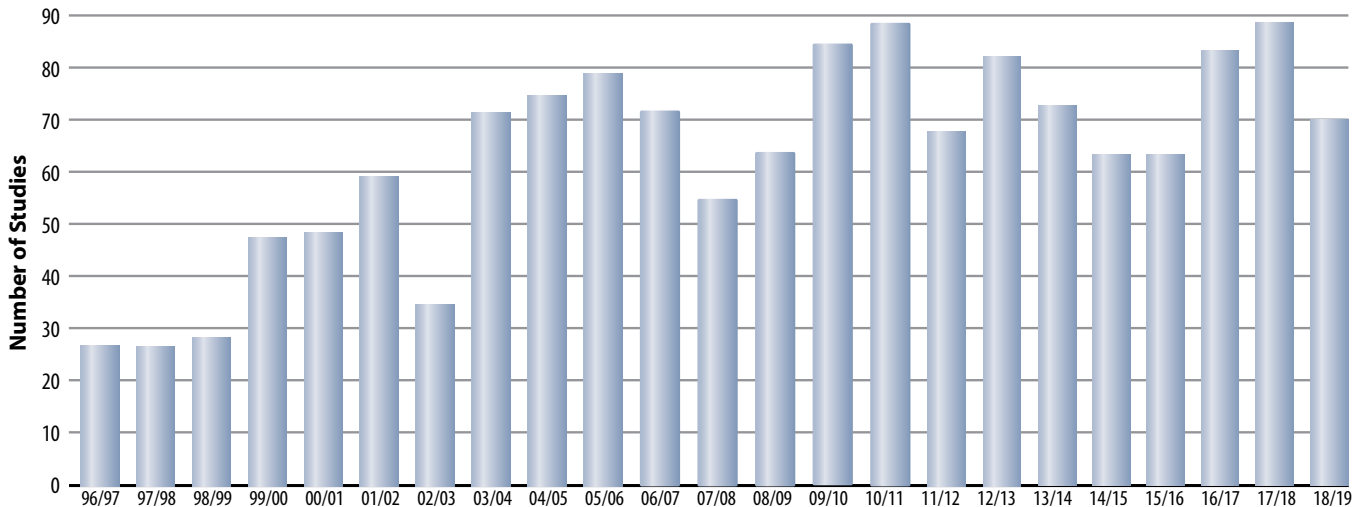
# About FCMAT

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

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

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

## Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional 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](http://www.ed-data.org)) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

# Introduction

## Background

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

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

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

This fiscal health risk analysis is being conducted because the district had the following condition(s), under which an analysis is required by the 2018-19 State Budget Act.

- "Lack of going concern" designation

The Montebello Unified School District is located in Los Angeles County and serves students in the city of Montebello as well as portions of Bell Gardens, Commerce, Downey, Monterey Park, Pico Rivera and Rosemead and a part of the unincorporated community of East Los Angeles. The district has a five-member elected governing board and serves preschool through adult students in 17 elementary schools, six intermediate schools, four high schools, one continuation high school, one alternative education school, and four adult schools. California Longitudinal Pupil Achievement Data System (CALPADS) records indicate that the 2019-20 student enrollment was 24,371 with an unduplicated pupil percentage of students who qualify for free and reduced-price meals, are English learners or are foster youth, of approximately 88.6%. Enrollment peaked at 36,000 in 2004-05 and has declined each year since then.

The district's 2019-20 unaudited actuals report reflected an unrestricted general fund deficit of \$1.9 million. The district's 2020-21 adopted budget multiyear projection estimated a deficit of \$36.8 million in 2020-21, a deficit of \$20.1 million in 2021-22, and a deficit of \$28.8 million in 2022-23. The Los Angeles County Office of Education approved the district's adopted budget but noted concerns about the district's level of deficit spending and cautioned the district to monitor its cash flow projections monthly because of the state principal apportionment payment deferrals included in the enacted state budget. In a separate letter, the county office notified the district that it would remain designated as a lack of going concern; the original designation was made in November 2017.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency.

## Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Montebello Unified School District on October 29, 2020, and a study team collected data and interviewed district staff and leaders via video conferences on November 9, 10 and 18, 2020. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities.

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

## Study Team

The team was composed of the following members:

Debbie Riedmiller, CFE  
FCMAT Intervention Specialist

Robbie Montalbano, CFE  
FCMAT Intervention Specialist

Leonel Martínez  
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 K-12 School Districts



FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

Date(s) of fieldwork: November 9, 10, and 18, 2020

District: Montebello Unified School District

## Summary

Since 2017-18, the Los Angeles County Office of Education's oversight letters have cautioned the district about several areas of concern, including deficit spending, declining enrollment and appropriate staffing, declining unrestricted general fund ending balance, governance and leadership concerns, unfilled key positions, limited budget monitoring, lack of adequate internal controls, limited use of position control and overstaffing, ineffective communication and inattention to county office recommendations.

The California State Auditor's report issued on November 2, 2017 cited numerous issues, including leadership and governance, financial practices and performance, danger of becoming financially insolvent, failure to follow proper hiring procedures and lack of oversight of bond fund expenditures. On November 8, 2017, the county office issued a letter designating the district as a lack of going concern and appointed a fiscal advisor to assist the district to improve its internal controls and financial management and to address governance issues.

A lack of stability and ongoing vacancies in key positions remain significant issues. Several key positions are vacant, including assistant superintendent, human resources; director of classified personnel; director of procurement; and budget manager. The assistant superintendent of human resources position has been vacant since July 2019. The chief business official (CBO) position was vacant from April 2017 through June 2019 when the CBO position was eliminated and an interim assistant superintendent of business services was appointed. Interim personnel fill the assistant superintendent of business services position. The current superintendent served as interim superintendent as well as assistant superintendent of instructional services from October 2016 through February 2018. Other essential positions are filled by interim personnel including the director of fiscal services and the accounts payable supervisor. Frequent employee turnover and vacant positions lead to a lack of oversight and segregation of duties, weakening internal controls and increasing the risk of fraud and financial misstatement.

The district had difficulty providing FCMAT with the documentation that was requested on October 21, 2020 with a deadline of November 4, 2020. After multiple requests, the final documents were provided on December 14, 2020. While some documents were understandably hard to obtain because many district staff members were working off-site due to the COVID-19 pandemic, this difficulty speaks to the district staff's lack of capacity and can partly be attributed to the many staff vacancies. In addition, the delay leads FCMAT to question whether some of the documentation existed before interviews or was created after the fact.

The FHRA shows the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to the district's fiscal distress. Of significant concern is the loss of revenue due to the year-over-year enrollment decline, which the district projects will continue into the subsequent fiscal years. The enrollment decline will be accelerated by the opening of two classroom-based charter schools, one approved by the county office and the other approved by the state board of education, in the 2021-22 fiscal year. In response to declining enrollment, districts must make reductions in staffing and other operating expenses to compensate for the loss of revenue. Also of significant concern is the erosion of the unrestricted general fund ending balance because of ongoing deficit spending. The 2020-21 adopted budget shows a projected unrestricted general fund deficit of \$36.8 million in 2020-21, \$20.1 million in 2021-22, and \$28.8 million in 2022-23. The unrestricted general fund balance is projected to decline from \$100 million at the start of 2020-21 to \$14.2 million at the end of 2022-23. The district should immediately take steps to reduce and eliminate deficit spending.

Other significant risk factors include budget development and monitoring, collective bargaining, internal controls and position control. Details are included in the related sections of this report.

The governing board is ultimately responsible for the district's budget. Management is responsible for providing accurate financial information based on current, reliable data so the board can make sound decisions. The identified risk factors will require the governing board and administration to continue to make and implement difficult decisions to ensure that the district remains fiscally solvent. Failure to act quickly and decisively may result in fiscal insolvency; the consequences of becoming insolvent are severe and result in the loss of local control and governance.

## District Fiscal Solvency Risk Level: High



## About the Analysis

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

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT’s work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and lack of attention to these critical areas will eventually lead to a district’s failure. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

The greater the number of “no” answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily in calculating a district’s fiscal stability. To help the district, narratives are included for responses that are marked as a “no” so the district can better understand the reason for the response and actions that may be needed to obtain a “yes” answer.

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

## Areas of High Risk

The sections on pages eight through 10 duplicate certain questions and answers given in the Fiscal Health Risk Analysis Questions later in this document and identify conditions that create significant risk of fiscal insolvency. The existence of an identified budget or fiscal status or a material weakness indicated by a “no” answer to any of these items supersedes all other scoring and will elevate the district’s overall risk level.

<b>Budget and Fiscal Status: Is district currently <i>without</i> the following?:</b>	<b>Yes</b>	<b>No</b>
Disapproved budget	✓	<input type="checkbox"/>
Negative interim report certification	✓	<input type="checkbox"/>
Three consecutive qualified interim report certifications	✓	<input type="checkbox"/>
Downgrade of an interim certification by the county superintendent	✓	<input type="checkbox"/>
“Lack of going concern” designation	<input type="checkbox"/>	✓

<b>Material Weakness Questions</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	<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 in accordance with Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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 address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
5.2 If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation?	<input type="checkbox"/>	<input type="checkbox"/>	✓

5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19.1	Does the district account for all positions and costs?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

### Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.2%
2.	Budget Development and Adoption	3.9%
3.	Budget Monitoring and Updates	4.9%
4.	Cash Management	1.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	7.6%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	3.5%
9.	Employee Benefits	2.3%
10.	Enrollment and Attendance	2.0%
11.	Facilities	0.3%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	3.3%
14.	Information Systems and Data Management	2.0%

15.	Internal Controls and Fraud Prevention	4.5%
16.	Leadership and Stability	2.7%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	1.6%
19.	Position Control	3.5%
20.	Special Education	2.3%

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<b>Score</b>	<b>48.7%</b>
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# Fiscal Health Risk Analysis Questions

<b>Budget and Fiscal Status: Is the district currently <i>without</i> the following?:</b>	<b>Yes</b>	<b>No</b>
Disapproved budget	✓	<input type="checkbox"/>
Negative interim report certification	✓	<input type="checkbox"/>
Three consecutive qualified interim report certifications	✓	<input type="checkbox"/>
Downgrade of an interim certification by the county superintendent	✓	<input type="checkbox"/>
“Lack of going concern” designation	<input type="checkbox"/>	✓

## **1. Annual Independent Audit Report**

	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?  <i>The 2017-18 audit report included a finding regarding a lack of supporting documentation for students identified as English learners, resulting in questioned costs of \$18,867.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.)	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits?  <i>Many findings from the most recent and prior two audits have been corrected. However, a lack of internal control over associated student body accounts was reported each year from 2015-16 to 2018-19. The 2018-19 audit report also found a lack of internal control over the use of district credit cards. The district did not provide documentation that the 2018-19 audit findings were corrected.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>

## **2. Budget Development and Adoption**

	<b>Yes</b>	<b>No</b>	<b>N/A</b>
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	✓	<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, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development?  <i>The position control report provided by the district did not correspond with the adopted budget values for salary and benefits, and the position control system is not integrated with the financial system.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?  <i>The district’s 2018-19 adopted budget was conditionally approved by the county office of education because the district’s Local Control and Accountability Plan</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>

(LCAP) was not approvable. The county office directed the district to submit a revised and approved LCAP for review and approval no later than October 8, 2018. The revised LCAP was submitted and the budget and LCAP were approved.

- 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 restricted fund carryover amounts and ending fund balances have increased each year from 2017-18 to 2019-20, indicating it is not strategically spending restricted funds before unrestricted funds. A review of the district's unaudited actuals reports for 2017-18, 2018-19, and 2019-20 shows the following restricted carryover and ending balances:

	2017-18	2018-19	2019-20
Carryover (unearned revenues)	4,144,224.80	6,420,125.55	12,955,774.25
Ending Fund Balance	9,355,850.45	10,651,002.51	13,740,246.35
Total	13,500,075.25	17,071,128.06	26,696,020.60

The 2020-21 adopted budget shows the district does not budget to expend restricted funds before unrestricted funds and plans for a restricted ending balance of \$14,449,873.51, an increase over the 2019-20 balance. Making certain that all qualifying expenditures are coded appropriately to restricted programs helps ensure maximum flexibility and availability of unrestricted funding.

- 2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 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 one prior fiscal year?
- 2.9 Has the district refrained from including carryover funds in its adopted budget?

Interviews with staff indicated that the district includes an estimate of restricted carryover revenues in its adopted budget and adjusts to actual after the unaudited actuals are completed. Following county office guidance, the district also includes estimated unrestricted carryover supplemental and concentration funds in its adopted budget. A review of the district's financial reports confirms that carryover funds are included in its adopted budget.

- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?
- 2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted general fund?

The district did not provide evidence of a documented policy or procedure, and interviews with staff indicated that the district does not have a procedure for evaluating the potential multiyear impact of proposed grants on the district's unrestricted general fund prior to acceptance.

- 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/departments responsible for completing them?

The district provided a document entitled District Financial Timelines, which provides some guidance for budget development, but it does not provide a detailed list of budget development tasks and deadlines and the staff members responsible for completing them.

<b>3. Budget Monitoring and Updates</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
3.1	Are actual revenues and expenses consistent with the most current budget? <i>According to a financial report provided by the district on November 18, 2020, several unrestricted object codes have negative budget balances as of the report date. Several certificated and classified salary object codes have negative budget balances, although the total budget for certificated and classified salaries appears to be reasonable. The books and supplies and services and other operating expenses object codes appear to be significantly underbudgeted with several object codes having large negative balances. Restricted budgets overall appear to be reasonable, with some negative object codes in the books and supplies, services and other operating expenses, and capital outlay categories.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.2	Are budget revisions posted in the financial system at each interim report, at a minimum?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.3	Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?	<input checked="" type="checkbox"/>	<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 in accordance with Education Code Section 42142?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Do the district's responses fully explain the variances identified in the criteria and standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? <i>The county office's oversight letters to the district have identified concerns since the 2017-18 fiscal year. Although the district has made some progress in addressing some of the concerns, persistent issues that have not been addressed include deficit spending, declining enrollment and staffing adjustments, governance and leadership concerns, unfilled key positions, limited budget monitoring, lack of adequate internal controls, limited use of position control and overstaffing, ineffective communication and inattention to county office recommendations. In November 2017, the county office notified the district of its decision to identify the district as a lack of going concern and affirmed that designation in a letter dated September 15, 2020 due to the unresolved issues identified above.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? <i>District staff indicated that requisitions may be approved even with insufficient funds on the budget line, and budget transfers are processed after the fact. A review of financial reports indicates 422 individual account lines with negative balances totaling \$47,153,495.49.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.8	Does the district encumber and adjust encumbrances for salaries and benefits? <i>District staff indicated that salaries and benefits are not encumbered in the financial system, and a review of financial reports shows no encumbrances for salaries and benefits.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close? <i>A review of financial reports shows some balance sheet accounts are reconciled throughout the year, but many are balanced at year end, and a few show balances carried for more than one year.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.10	Have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>4. Cash Management</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
4.1	Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?  <i>The district provided a reconciliation form in Excel for the revolving fund. Because the reconciliations were not dated or signed, FCMAT could not determine if they were completed monthly. The August, September, and October 2020 reconciliations each contained reconciling items dating back to January 2020 that had not been posted to the general ledger.</i>  <i>The district provided a reconciliation form in Excel for the clearing account. The reconciliations were not dated or signed, so FCMAT could not determine if the reconciliations were completed monthly. The August, September, and October 2020 reconciliations each contained reconciling items dating back to February 2019, uncleared deposits dating back to May 2019 and several undated outstanding checks totaling \$238,245.47. Based on the check numbers (4187, 4191, 4198) compared to checks that cleared in August 2020 (5069, 5070, 5071, 5072), the outstanding checks appear to be more than a year old.</i>  <i>The reconciliation form provided by the district for the property and liability trust account was also undated and unsigned; therefore, FCMAT could not determine if the reconciliations were completed monthly.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>5. Charter Schools</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
5.1	Are all charters authorized by the district going concerns?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.2	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.4	Does the district have a board policy or other written document(s) regarding charter oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.5	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?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<b>6. Collective Bargaining Agreements</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>																									
6.1	Has the district settled with all its bargaining units for the past two fiscal years? <i>Classified (nonmanagement) remained unsettled for 2019-20 at the time of interviews.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.2	Has the district settled with all its bargaining units for the current year? <i>Classified (nonmanagement) remained unsettled for 2020-21 at the time of interviews.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? <i>The district did not include the effects of a memorandum of understanding approved by the board in May 2020 with the Montebello Teachers Association (MTA) and California School Employees Association (CSEA) in its budget and multiyear projection.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? <i>Interviews indicated that verbal presettlement analysis is provided to the superintendent and board, but no documentation of the analysis was provided by the district. The district has not indicated ongoing revenue sources or expenditure reductions to support the agreements, which increases deficit spending in each year of the multiyear projection.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.5	In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA)? <i>The district has agreed to settlements with its bargaining units at greater than the funded cost of living adjustment (COLA) as shown in the table below.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
<table border="1"> <thead> <tr> <th></th> <th>2017-18</th> <th>2018-19</th> <th>2019-20</th> <th>2020-21</th> </tr> </thead> <tbody> <tr> <td>Funded COLA</td> <td>1.56%</td> <td>2.71%</td> <td>3.26%</td> <td>0.00%</td> </tr> <tr> <td>MTA</td> <td>3.25%</td> <td>5.51%</td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>CSEA</td> <td>0.00%</td> <td>6.47%</td> <td>unsettled</td> <td>unsettled</td> </tr> <tr> <td>AMSA</td> <td>0.00%</td> <td>6.78%</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table>						2017-18	2018-19	2019-20	2020-21	Funded COLA	1.56%	2.71%	3.26%	0.00%	MTA	3.25%	5.51%	0.00%	0.00%	CSEA	0.00%	6.47%	unsettled	unsettled	AMSA	0.00%	6.78%	0.00%	0.00%
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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)? <i>The district remains unsettled with CSEA and has not identified funds to cover any possible settlements.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? <i>The district did not disclose to the public or the county superintendent of schools the information and possible costs contained in a memorandum of understanding with both MTA and CSEA that was board-approved in May 2020.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? <i>The district submitted documentation to FCMAT that salary settlements were properly disclosed and acted on by the governing board. However, the district did not certify or disclose to the public or the county superintendent of schools the information and possible costs contained in the memorandum of understanding with both MTA and CSEA that was approved by the board in May 2020.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																									



6.9 Is the governing board's action consistent with the superintendent's and CBO's certification?

*The district did not certify or disclose the details of the memorandum of understanding with both MTA and CSEA that was approved by the board in May 2020.*

**7. Contributions and Transfers** **Yes No N/A**

7.1 Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?

*The board does not have a plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds.*

7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?

7.3 If any contributions/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?

**8. Deficit Spending (Unrestricted General Fund)** **Yes No N/A**

8.1 Is the district avoiding deficit spending in the current fiscal year?

*The district's 2020-21 adopted budget multiyear financial projection shows deficit spending of \$36.8 million.*

8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?

*The district is projected to deficit spend by \$20.1 million in 2021-22 and \$28.8 million in 2022-23.*

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?

*The board has not approved and implemented a plan to reduce and/or eliminate deficit spending.*

8.4 Has the district decreased deficit spending over the past two fiscal years?

*The district had a surplus of \$15.5 million in 2018-19 and a deficit of \$1.9 million in 2019-20. The 2020-21 deficit is projected to be \$36.8 million.*

**9. Employee Benefits** **Yes No N/A**

9.1 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)?

9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments no greater than 2% of the district's unrestricted general fund revenues?

*The district's OPEB actuarial study dated June 30, 2019 estimates the district's total OPEB liability as \$142,998,223 for the fiscal year ended June 30, 2018. The district funds its retiree health and welfare benefits program on a pay-as-you-go basis. It has not established an irrevocable OPEB trust with assets dedicated toward paying OPEB liabilities or a segregated funding source*

to cover long-term retiree benefits. The district projects an OPEB contribution of \$6,048,329 in 2020-21, which is 2.38% of its unrestricted general fund revenues.

- 9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?     
*Limited documents provided by the district indicate that it does not follow Board Policy (BP) 4362 or the collectively bargained agreement with CSEA limiting vacation carryover to 20 days.*
- 9.4 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?     
*The district relies on CalPERS, its benefit provider, to monitor eligibility for health insurance. Interviews revealed the district does not perform periodic verification and determination for eligibility for vision, dental and life insurances.*
- 9.5 Does the district track, reconcile and report employees' compensated leave balances?     
*The district did not submit documents sufficient to show that it tracks, reconciles, and reports employees' compensated leave 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?     
*District enrollment has declined in the current and two prior years.*

Year	2017-18	2018-19	2019-20	2020-21 est.
Census Day Enrollment	26,521	25,409	24,371	23,032
Change from Prior Year	-877	-1,112	-1,038	-1,339
Percent Change	-3.20%	-4.19%	-4.09%	-5.49%

- 10.2 Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?
- 10.3 Does the district track historical enrollment and ADA data to establish future trends?
- 10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?
- 10.5 Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?
- 10.6 Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?
- 10.7 Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?

*Staff reported that all applicable sites and departments review and verify CALPADS data and correct it as needed before the report submission deadline. A month after interviews were completed, the district provided a lengthy document, "CALPADS Processes and Procedures," which referenced review, correction, and verification of CALPADS data by principals and others. However, the district did not provide FCMAT with evidence that the procedures for review and verification were followed and reports were corrected prior to submission.*

10.8	Has the district planned for enrollment losses to charter schools?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.10	Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>

**11. Facilities** **Yes No N/A**

11.1	If the district participates in the state’s School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?  <i>The district’s 2020-21 adopted budget included a contribution of \$8.6 million, which is \$2.3 million less than the required 3% contribution of \$10.9 million. The district indicated that it plans to adjust the budget at first interim.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
11.2	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"/>
11.3	Does the district properly track and account for facility-related projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction’s loading standards?  <i>The district has experienced declining enrollment for over a decade. According to documents provided by the district, it is not fully using its facilities. Average facility usage at the elementary level is 69%, with a low of 41%. The average utilization at the intermediate level is 48%, with a low of 37%. The average utilization at the high school level is 70%, with a low of 41%. The district average facility utilization is 65% of capacity across all schools (excluding community day schools).</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.8	Does the district have a long-range facilities master plan that reflects its current and projected facility needs?	✓	<input type="checkbox"/>	<input type="checkbox"/>

**12. Fund Balance and Reserve for Economic Uncertainty** **Yes No N/A**

12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	✓
12.4	Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?  <i>According to the district’s 2020-21 adopted budget, its unrestricted fund balance is projected to decline from \$100 million at the beginning of 2020-21 to \$14.2 million at the end of 2022-23.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>

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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
<b>13. General Fund – Current Year</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures? <i>The district is deficit spending and using one-time resources (unrestricted fund balance) to pay for ongoing operating costs.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
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 statewide average for the current year? <i>According to the district’s 2020-21 adopted budget, the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits is 87.5%. The statewide average for unified districts as of 2018-19 (the latest data available) was 87%.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
13.3	Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years? <i>The percentage of the district’s general fund unrestricted expenditure budget that was allocated to salaries and benefits was 90.4% in 2018-19 and was estimated to be 85.1% in 2019-20, compared to the statewide average of 87% in 2018-19.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
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 two prior years, is the district addressing the complaint(s)?	<input type="checkbox"/>	<input type="checkbox"/>	✓
13.5	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 type="checkbox"/>	<input type="checkbox"/>
13.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? <i>Restricted carryover balances and restricted ending fund balances have increased each year from 2017-18 through 2019-20. The district’s Consolidated Application report indicates that the 2019-20 Title II, Part A allocation was \$1,189,191, with no funds spent as of June 30, 2020. The district’s 2019-20 Title III allocation was \$935,642 with \$367,615 spent through June 30, 2020. The Title IV, Part A Use of Funds Report shows a 2019-20 allocation of \$756,703 and unspent funds of \$534,507 as of September 30, 2020. Staff reported that the district was required to file a waiver for Title I funds because its 2018-19 carryover was greater than the allowed 15%.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
13.7	Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? <i>A review of the district’s 2019-20 unaudited actuals report Form ICR indicates that the district does not charge the maximum allowable indirect cost rate on all restricted resources, including special education programs. The district did not include indirect cost charges for Fund 12 in its 2020-21 adopted budget.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<b>14. Information Systems and Data Management</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
14.1	Does the district use an integrated financial and human resources system? <i>The district uses PC Labels, Lists, and Letters (PC LLL) for position control and the PeopleSoft Financial System; the two systems are not integrated.</i>	<input type="checkbox"/>	✓	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>

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?  <i>District audit findings indicate that the district does not accurately identify students who are eligible for free or reduced-price meals, English learners and foster youth, in accordance with the LCFF and its LCAP.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>• <i>Finding 2018-007 indicated that the district lacked proper supporting documentation for 22 students that were designated as English learners, resulting in a \$18,867 reduction in supplemental and concentration funding.</i></li> <li>• <i>Finding 2016-16 indicated that the district was lacking proper supporting documentation for 182 students that were identified as eligible for free or reduced-price meals or designated as English learners, resulting in a loss of funding of \$170,297.</i></li> </ul>			
14.4	Is the district using the same financial system as its county office of education?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.5	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14.6	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP) . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The Accounts Payable Department has had an interim supervisor for one year. Interviews indicated a lack of auditing of some types of transactions, which carries a high risk for fraud.</i>			
	• Accounts receivable (AR) . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Purchasing and contracts. . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The Procurement and Logistics Department has been without a permanent director for more than a year and has no supervision. Interviews indicated that no one reviews the department's work.</i>			
	• Payroll . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Human resources (i.e., duties relative to position control and payroll processes) . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The Human Resources Department lacks direction and supervision because of multiple long-term vacancies in key positions.</i>			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.5	Does the district review and work to clear prior year accruals throughout the year?  <i>A review of financial reports shows some accruals are reconciled throughout</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

*the year, but many are balanced at year end, and a few show balances carried for more than one year.*

- |      |   |                          |                          |                          |
|------|---|--------------------------|--------------------------|--------------------------|
| 15.6 | 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"/> |
| 15.7 | Does the district have processes and procedures to discourage and detect fraud?<br><br><i>The district has some internal control processes that discourage fraud such as supervisorial oversight. However, interviews indicate it there are no formal, written processes or procedures to discourage or detect fraud and oversight is not occurring in all areas.</i> | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 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?<br><br><i>The district does not have a process for collecting reports of possible fraud.</i>   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 15.9 | Does the district have an internal audit process?<br><br><i>The district does not have an internal audit process.</i>   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |

**16. Leadership and Stability** **Yes** **No** **N/A**

- |      |  |                          |                          |                          |
|------|--|--------------------------|--------------------------|--------------------------|
| 16.1 | Does the district have a chief business official who has been with the district as chief business official for more than two years?<br><br><i>The district has been without a permanent CBO since 2017.</i>  | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 16.2 | Does the district have a superintendent who has been with the district as superintendent for more than two years?  | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.3 | Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?  | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.4 | Is training on financial management and budget provided to site and department administrators who are responsible for budget management?   | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.5 | Does the governing board adopt and revise policies and administrative regulations annually?<br><br><i>While interviews indicated that some cabinet members are implementing a process to revise board polices and administrative regulations annually, there is no coordinated effort among all departments to implement a consistent process.</i> | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 16.6 | Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?<br><br><i>The district does not have a consistent, districtwide method to communicate changes to staff.</i>   | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 16.7 | Do all board members attend training on the budget and governance at least every two years?<br><br><i>Interviews indicated that some budget training is provided at board study sessions; however, no documentation was provided to show that all board members attend training on governance at least every two years.</i>                        | <input type="checkbox"/> | ✓                        | <input type="checkbox"/> |
| 16.8 | Is the superintendent's evaluation performed according to the terms of the contract?   | ✓                        | <input type="checkbox"/> | <input type="checkbox"/> |

**17. Multiyear Projections** **Yes** **No** **N/A**

- |      |   |   |                          |                          |
|------|---|---|--------------------------|--------------------------|
| 17.1 | Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?               | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 17.2 | To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

17.3	Does the district use its most current multiyear projection in making financial decisions?  <i>Although interviews indicated that the district uses its most current multiyear projection in making financial decisions, the board has approved salary increases that increase deficit spending and decrease the district's unrestricted fund balance.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**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 unrestricted general fund?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?  <i>On July 2, 2020, Fitch Ratings lowered its rating on the district from AAA to AA+.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18.3	If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?  <i>The district is self-insured for workers' compensation and provided a copy of its most recent actuarial valuation. A portion of the general fund unrestricted fund balance is assigned to cover workers' compensation liabilities. The district is also self-insured for employee dental insurance; however, an actuarial valuation was not provided to FCMAT, nor are funds assigned to cover any unfunded liabilities for the dental program.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**19. Position Control** **Yes** **No** **N/A**

19.1	Does the district account for all positions and costs?  <i>The district did not provide documents sufficient to determine whether it accounts for all positions and costs.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment?  <i>The district performs an analysis for certificated staffing and makes recommendations to cabinet for staffing levels; however, the recommendations are not always followed.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?  <i>Interviews with staff indicated regular communication between position control, budget and payroll; however, no evidence was provided that budget, payroll and position control perform a regular reconciliation.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends)			

	before positions are posted?	✓	<input type="checkbox"/>	<input type="checkbox"/>
19.6	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	<input type="checkbox"/>	✓	<input type="checkbox"/>

*The district did not provide documentation sufficient to show that the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes.*

**20. Special Education**

**Yes No N/A**

20.1	Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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*Documents provided by the district indicated the following:*

- *Resource specialist program (RSP) classes: eight classes exceed the Education Code maximum of 1-to-28.*
- *Special day class (SDC) mild/moderate classes: most classes are under or over the industry standard of 12 to 15.*
- *SDC autism: three classes are over industry standard of eight to 10.*
- *SDC emotionally disturbed: two of the three classes exceed the industry standard of eight to 10, and the third class is well under the industry standard.*
- *SDC preschool autism spectrum disorder: district ratio exceeds the industry standard of nine per staff.*

20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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*The district has a large unexpended balance in mental health funds, indicating that it does not access those funds before general fund contributions.*

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)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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*The district has a process to request added services; however, no documentation was provided to demonstrate how it determines approval of added services.*

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)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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*The district's indirect cost rate for 2019-20 was 3.66%. Its effective rate used across all special education resources was 0.26%.*

*The district's indirect cost rate for 2020-21 is 4.81%. Its budgeted effective rate used across all special education resources is 0.35%.*

20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	<input type="checkbox"/>	✓	<input type="checkbox"/>
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*The district's contribution rate is higher than the 2018-19 statewide contribution rate of 65.88%.*

*The district's 2019-20 unaudited actuals special education maintenance-of-effort report (Form SEMA) shows total district expenditures for special education to be \$65,116,262.45, with \$43,697,690.00 or 67.11% as the district's contribution.*



The district's 2020-21 budget special education maintenance-of-effort report (SEMB) shows total district expenditures for special education to be \$65,137,419, with \$44,236,083 as the district's contribution or 67.91%. It is important to note that the district does not charge full indirect costs on all special education expenditures, which artificially lowers the contribution amount and ratio. With full indirect charged in 2019-20, the district's contribution would have been greater than 70%.

- 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?

The district's rate of identification of students as eligible for special education was 13.76% in 2019-20, compared to 11.81% for the county and 11.70% for the state.

2019-20	District	County	State
Enrollment	24,371	1,436,522	6,163,001
Students with disabilities	3,353	169,718	721,198
Percentage	13.76%	11.81%	11.70%

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

**Risk Score, 20 numbered sections only: 48.7%**

**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.)