

Fiscal Health Risk Analysis

July 29, 2021



Mt. Diablo Unified School District

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Chief Executive Officer

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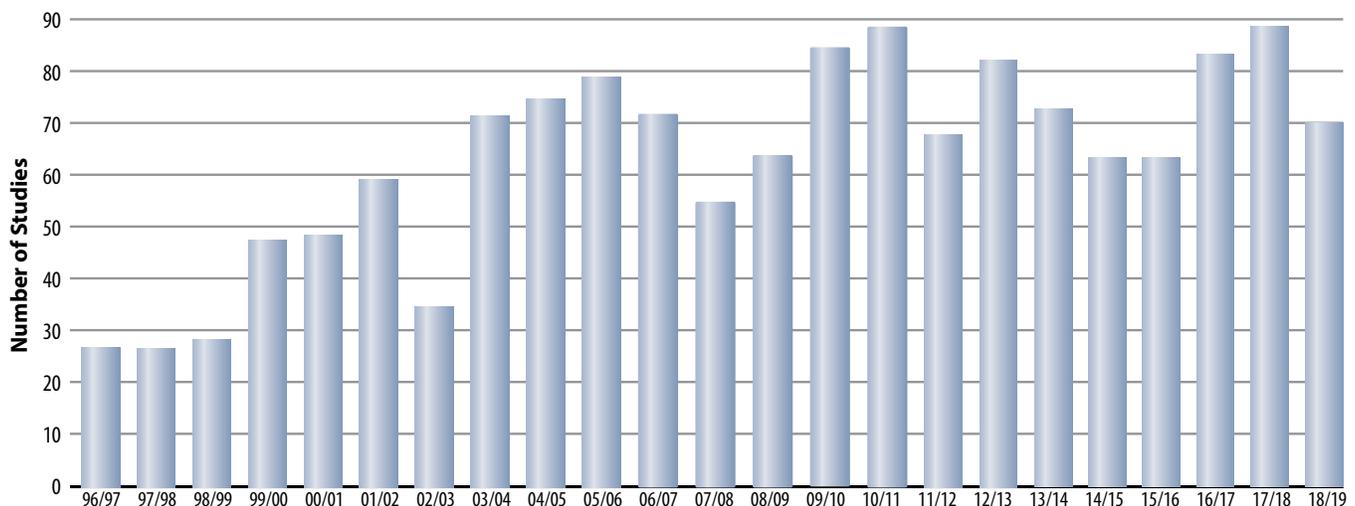
About FCMAT

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

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

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

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) 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, 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 three consecutive qualified interim report certifications, under which an analysis is required by the 2018-19 State Budget Act.

The Mt. Diablo Unified School District is located in Contra Costa County and serves the cities of Clayton, Concord, Pleasant Hill, portions of Martinez, Pittsburg and Walnut Creek, and the unincorporated communities of Bay Point, Lafayette, and Pacheco. Under the governance of a five-member board, the district serves preschool through adult students at 30 elementary schools, nine middle schools, five comprehensive high schools, one special education school, two alternative schools, one community day school, and four continuation schools. The district's California Longitudinal Pupil Achievement Data Systems (CALPADS) records show that the unduplicated pupil percentage, which includes students who qualify for free and reduced price meals, English learners and foster youth, is 45.78%.

The district unaudited actuals reports show deficit spending in the unrestricted general fund since fiscal year 2016-2017. The 2020-21 second interim report, which was the catalyst for this FHRA, shows that the district will avoid deficit spending in the current year but projects deficits of \$6,632,961 in 2021-22 and \$13,993,404 in 2022-23. These projected deficits are expected to erode its unrestricted fund balance from \$47,487,966 in 2020-21 to \$40,855,055 in 2021-22 and significantly further to \$26,861,600 in 2022-23.

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 Mt. Diablo Unified School District in April 2021. Due to the impact of COVID-19, the study team conducted interviews by video conference rather than in person from May 11-13, 2021. 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:

Jennifer Noga

FCMAT Intervention Specialist

John Von Flue

FCMAT Chief Analyst

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: May 11 – 13, 2021

District: Mt. Diablo Unified School District

Summary

The Mt. Diablo Unified School District has certified as qualified since the second interim of fiscal year 2019-20 indicating ongoing concern about potential fiscal insolvency. While a single qualified certification is a significant alert to the district and county office that the district has fiscal issues, subsequent consecutive qualified certifications suggest that the district has a structural deficit and cannot or will not address its fiscal strains and secure solvency. With three consecutive interim report certifications of qualified, an FHRA performed by FCMAT was triggered.

The district's multiyear financial projections (MYFP) indicate its structural deficit will grow in the upcoming fiscal years, more than doubling its unrestricted general fund deficit spending between 2021-22 and 2022-23 and eroding the unrestricted general fund balance from approximately \$47.5 million in 2020-21 to less than \$27 million in 2022-23. The district has not developed, adopted and taken action on a plan to reduce or eliminate this deficit spending, which will quickly lead to insolvency if not addressed.

Mt. Diablo Unified's fiscal strains and structural imbalance can be attributed to many factors, the most significant being declining enrollment and the district's employee compensation burden. The FHRA has identified several factors that contribute to the potential fiscal insolvency and the district's failure to respond and correct its fiscal imbalance. Most factors are due to the lack of confidence in timely and sound information that can be used to make actionable decisions. The superintendent and the CBO have been with the district less than two years, arriving after these issues were evident.

The district has been in declining enrollment since 2015-16. Because student attendance drives district revenues, the associated reduction has contributed to deficit spending. However, the district's projected revenues are built on increasing and stabilized enrollment rather than historical trends. Additionally, staffing ratios are not set and followed, and the district has not adjusted staffing to compensate for the declining number of students served.

Although the multiyear financial projection indicates deficit spending, the projection also includes significant adjustments that are not explained in detail and backed by district commitment. The district's position control is not aligned with actual payroll and budget leading to uncertainty about employee staffing numbers and compensation costs. There are several indications that the district does not reconcile its budget and general ledger accounts, which leads to uncertainty in the standing of budget and cash. The district's financial system is not the same as the county office's (its oversight agency), preventing the direct and timely sharing of information to allow appropriate oversight and support.

Employee compensation is typically the largest component of district expenditures. Statewide, employee compensation hovers around 87-88% of district expenditures. For Mt. Diablo Unified, compensation has been significantly higher than the state average at 93-94%. Additionally, the costs of collective bargaining are not determined or analyzed before finalization and settling of agreements.

The district administration has made multiple recommendations to reduce staffing, and the governing board has taken action on most. However, largely due to lacking or incorrect information, many actions have not been implemented and maintained; therefore, staffing was either not reduced or was reduced but reinstated. More recently, and as a result of questioned information, the board failed to approve some reductions recommended for the 2021-22 fiscal year.

The governing board is ultimately responsible for the district's fiscal solvency. Management has the responsibility of presenting sound financial information based on current and accurate data so the board can make informed decisions. The failure of the district to act decisively on accurate information may result in fiscal insolvency and the loss of local control.

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 following sections 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.

Budget and Fiscal Status: Is district currently <i>without</i> the following?:	Yes	No
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"/>

Material Weakness Questions	Yes	No	N/A
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"/>
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 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? ✓
- 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? ✓
- 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? ✓
- 10.6 Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? ✓
- 11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? ✓
- 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? ✓
- 12.2 Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? ✓
- 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? ✓
- 19.1 Does the district account for all positions and costs? ✓

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	0.0%
2.	Budget Development and Adoption	0.6%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	2.0%
5.	Charter Schools	0.3%
6.	Collective Bargaining Agreements	7.6%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	2.5%
10.	Enrollment and Attendance	2.5%
11.	Facilities	0.1%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	2.5%
14.	Information Systems and Data Management	3.1%
15.	Internal Controls and Fraud Prevention	2.7%
16.	Leadership and Stability	2.9%
17.	Multiyear Projections	2.9%
18.	Non-Voter-Approved Debt and Risk Management	0.6%
19.	Position Control	2.5%
20.	Special Education	0.4%
Score		39.3%

Fiscal Health Risk Analysis Questions

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

1. Annual Independent Audit Report	Yes	No	N/A
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Budget Development and Adoption	Yes	No	N/A
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	<input checked="" type="checkbox"/>	<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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.7 Does the district budget and expend restricted funds before unrestricted funds?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.9 Has the district refrained from including carryover funds in its adopted budget?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 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?
FCMAT could not determine if the district avoids using negative or contra expenditure accounts based on documents received from the district.
- 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?
- 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?

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 report, at a minimum? . . .
- 3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?
- 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?
- 3.5 Do the district's responses fully explain the variances identified in the criteria and standards? .
- 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?
The county office of education identified deficit spending as a deficiency in the district's 2019-20 and 2020-21 oversight letters. The district had decreased its deficit spending since fiscal year 2017-18 and is not projected to deficit spend in the current year. However, the district's multiyear projection anticipates \$6,632,961 in deficit spending in the unrestricted general fund for 2021-22, increasing to \$13,993,404 in 2022-23.
- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?
- 3.8 Does the district encumber and adjust encumbrances for salaries and benefits?
- 3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?
Interviews indicated that balance sheet accounts have not been reconciled except accounts receivable and accounts payable annually. The other liability account balances continue to roll forward year after year.
- 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?

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 reports monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The documentation provided does not show that the accounts held by the county treasurer are reconciled monthly, and the March and January 2021 balances shown on the district spreadsheet do not match the amount from the general ledgers provided to FCMAT. FCMAT found that the irregularities are largely due to district-established practices regarding end of month posting between funds.</i>			
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that bank accounts are reconciled, but documents were not provided that indicate a consistent, monthly process.</i>			
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Charter Schools		Yes	No	N/A
5.1	Are all charters authorized by the district going concerns?	<input checked="" type="checkbox"/>	<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"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district provided no evidence of oversight of the Eagle Peak Montessori charter school.</i>			
5.4	Does the district have a board policy or other written document(s) regarding charter oversight?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district identified staff members; however, interviews indicated that a defined plan had not been developed. Meaning that the district has not outlined their process on how they will review and monitor all approved charter schools to ensure that they comply with all applicable policies, laws, and regulations.</i>			

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? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>Although interviews indicated that it is settled with each of the five bargaining units for the past two fiscal years, FCMAT could not find proof of the various settlements upon review of the district board meeting agendas and supporting documentation provided.</i>			
6.2	Has the district settled with all its bargaining units for the current year? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>Based on information provided at the time of FCMAT's interviews, the district is not settled with all of its bargaining units.</i>			
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"/>	<input type="checkbox"/>
	<i>FCMAT was not provided with any analysis of the impact of proposed bargaining agreements, including memorandums of understanding (MOUs), and their effects on multiyear financial projections.</i>			
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"/>	<input type="checkbox"/>
	<i>FCMAT was not provided with any presettlement analysis that identifies costs or savings in the current and subsequent fiscal years. Upon further review of board agendas, in October 2019, the board approved a memorandum of understanding with its Teamsters union reclassifying various personnel in the Food Services Department. The agenda item did not specify the funding source or fiscal impact of this reclassification agreement.</i>			
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)? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>Based on the documentation provided FCMAT could not determine if a tentative agreement was approved during the July 13, 2020 board meeting. The tentative agreement stated that effective July 1, 2020, the Mt. Diablo Education Association bargaining unit members would receive a 1.5% salary increase, which is greater than the funded COLA of 0.00% for fiscal year 2020-21.</i>			
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)? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>FCMAT could not confirm that all five bargaining units were settled for the past two years, and the district has not identified funds to cover any possible settlements.</i>			
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>FCMAT review board minutes and supplemental documentation provided by the district and found that the district did not disclose to the public or the county office the information and possible costs contained in any of the tentative agreements or for the numerous memorandums of understanding (MOUs).</i>			
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>The Assembly Bill (AB) 1200 public disclosure documents were not included with board agendas where any settlement agreements or MOUs were being considered for approval.</i>			

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

As stated above, FCMAT was not provided with copies of any AB 1200 public disclosures and therefore could not determine if the governing board’s action was consistent with the superintendent’s and CBO’s certification.

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 district does not have a board-approved plan to eliminate or reduce its contributions to any program that encroaches on the general fund.

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?

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

The district’s second interim MYPI projects \$6,632,961 in unrestricted general fund deficit in 2021-22 increasing to \$13,993,404 in 2022-23. Corresponding total (unrestricted and restricted) general fund deficit spending is \$11,734,329 in 2021-22 and \$17,463,866 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 district does not have a board-approved plan to reduce or eliminate deficit spending, which is expected to increase in 2021-22 and 2022-23 (refer to 8.2). This deficit spending is expected to erode its unrestricted fund balance from \$47,487,966 in 2020-21 to \$40,855,055 in 2021-22 and significantly further to \$26,861,600 in 2022-23.

While the board has a history of following most district recommendations and approving staffing reductions as shown below, the implemented reductions have not been sufficient to reduce or eliminate the district’s deficit spending:

- *At the March 2020 board meeting, the board was presented with information on the district’s structural deficit and recommendations to reduce it. Staffing reduction recommendations included 20.5 full-time equivalents (FTE) in administration, 107.24 FTE in certificated staff, and 60.4 in classified staff.*
- *Board resolution 19/20-42, March 2020, approved the reduction of 117.04 certificated FTE for the 2020-21 school year and at the April 2020 meeting, the board approved the reduction of 1.91 FTE classified staff and resolution 19/20-47 calling for the reduction of 47.769 FTE classified staff.*

- In the 2020-21 school year, the board passed various resolutions reducing classified employment:
 1. Resolution 20/21-05 reducing 2.744 FTE
 2. Resolution 20/21-10 reducing 6.625 FTE
 3. Resolution 20/21-15 reducing 1.488 FTE
 4. Resolution 20/21-27 reducing .31875 FTE
 5. Resolution 20/21-30 reducing .9 FTE
 6. Resolution 20/21-48 reducing .2 FTE
 7. Resolution 20/21-53 reducing 2.25 FTE
 8. Resolution 20/21-66 reducing 7.285 FTE
- At the March 10, 2021 meeting, the board passed resolution 20/21-53, reducing 2.25 FTE of classified staff effective 6/30/2021. At the same meeting, the board denied resolution 20/21-52 calling for the reduction of 31.88 FTE of certificated staff for the 2021-22 school year.

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

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)?

According to the district's 2019-20 audit report, the most recent postemployment benefits (OPEB) actuarial report did not use the correct discount rate as required per GASB 75, as a result the district's total OPEB liability could be misstated. Prior to FCMAT's review, the district had approved a contract during the February 24, 2021 board meeting with a new vendor to complete an actuarial valuation that aligns with the GASB 75 guidelines.

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, 2020, estimates its total OPEB liability as \$200,956,999 for the fiscal year ending June 30, 2020. The district funds its retiree health and welfare benefits program on a pay-as-you-go basis. The actuarial valuation report indicates a pay-as-you-go OPEB contribution of \$20,668,861 in 2019-20, which is 7.2% of its unrestricted general fund revenues.

9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?

The district's collective bargaining agreements with its classified employees stipulates that they may elect to carry over 10 days of vacation in addition to one year's entitlement. The liability for compensated absences has continued to increase as reported in the district's audit reports since fiscal year ending June 30, 2017.

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?

9.5 Does the district track, reconcile and report 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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The district’s noncharter enrollment has been in decline since 2015-16 when it reported enrollment of 31,757. In 2018-19, district reported enrollment was 30,727 and dropped slightly in 2019-20 to 30,724 and significantly in 2020-21 to 29,582.</i></p> <p><i>Charter enrollment has increased slightly since 2016-17 when it reported 234 to a high of 326 in 2020-21.</i></p> <p><i>The district’s P-2 ADA has declined from 29,779 in 2017-18 to 29,377 in 2018-19 and 29,121 in 2019-20. For 2020-21, the district’s ADA is estimated at 28,036.</i></p>			
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)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.3	Does the district track historical enrollment and ADA data to establish future trends?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The district’s enrollment projections do not correlate with its historical data. The district’s enrollment has been in decline since 2015-16, but recent projections indicate that the K-5 population will increase 2.9% and TK-12 enrollment will increase by 1.2% over the next five years.</i></p>			
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<p><i>The district’s enrollment projections do not correlate with its historical data.</i></p> <p><i>The district’s enrollment has been in decline for several years, but its projections indicate that the overall TK-12 enrollment will increase in the immediate upcoming years. This expectation is based on a demographic study recently conducted and is contrary to what the historical and cohort survival methods of projection would forecast.</i></p>			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.8	Has the district planned for enrollment losses to charter schools?	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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?	<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"/>

11.3	Does the district properly track and account for facility-related projects?	✓	□	□
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	□	✓	□
	<i>The district does not use its facilities fully in accordance with the OPSC loading standards. Three of the five high school sites are above 95% capacity, with the other two high school sites between 50%-60%. Of the nine middle schools, only one is above 90%, while the remaining sites range from 79% to as low as 51% capacity. Of the 30 elementary school sites, one is above capacity and eight are above 75% capacity, leaving 20 in the range of 40%-75%. Mountain View Elementary is reportedly only 13.3% capacity. If this is correct, the district should assess the excess classroom space. Typically, excess classroom space is not left unused, and the district incurs more costs for cleaning, maintenance and utilities.</i>			
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	□	□
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	✓	□	□
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?	✓	□	□
11.8	Does the district have a long-range facilities master plan that reflects its current and projected facility needs?	✓	□	□

12. Fund Balance and Reserve for Economic Uncertainty	Yes	No	N/A
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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?	✓	□	□
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	□	□
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?	□	□	✓
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	□	✓	□
	<i>Due to deficit spending, the unrestricted fund balance is projected to decline from \$47,487,966 in 2020-21 to \$40,855,055 in 2021-22 and further to \$26,861,600 in 2022-23.</i>			
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?	□	□	✓

13. General Fund – Current Year	Yes	No	N/A
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13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	✓	□	□
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?	□	✓	□

The statewide average of unrestricted general fund expenditures allocated to salaries and benefits for 2019-20 was 88% up from 86% in 2016-17 and 87% in 2018-19.

For the current year (2020-21), the district budget indicates 89.4% of unrestricted expenditures are allocated to salaries and benefits. The district stated that this is the result of decreased overall expenditures in transportation and vacant positions. In addition, the district's 2020-21 second interim reports 1,634.5 certificated positions, a decrease of more than 65 positions since the 2019-20 second interim report. The classified full-time equivalent (FTE) for 2020-21 is reported as 1,046, a decrease of 29 FTE over prior year. Management FTE was 187 in 2020-21 reduced by 8 FTE from 2019-20.

In the forecast year 2021-22, the district expects to expend 88.2% of its unrestricted expenditures on salaries and benefits. The decrease is due to planned textbook adoption costs that inflate total expenditures; however, the percentage remains above state average.

For 2022-23, the district projects salary and benefits to increase to 91.9% of unrestricted expenditures.

- 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? . . .

The district's allocation of unrestricted expenditures to salaries and benefits has historically been significantly above the state average leaving less unrestricted funds to address the district's other expenses and contributing to the district's deficit spending.

Year	District	State	Difference	% above state
2017-18	90.70%	87%	3.70%	4.25%
2018-19	94.20%	87%	7.20%	8.28%
2019-20	93.60%	88%	5.60%	6.36%

- 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)? . . .

- 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? . . .

Based on the 04.30.2021 general ledger report, FCMAT found a significant lack of alignment between salaries and benefits budget account lines and actuals. In addition, annual audits for the prior three fiscal years (2017-18, 2018-19, and 2019-20) identified significant variances between budget and actuals for employee compensation. As a result, FCMAT is uncertain as to the extent funding for positions is adequate in restricted programs and, if short, the impact on unrestricted funds.

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

- 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? . . .

14. Information Systems and Data Management		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system? <input type="checkbox"/> <i>The district intends to implement the personnel module of its financial system but currently uses ad hoc spreadsheets to project and manage human resource information.</i>	<input type="checkbox"/>	<input checked="" 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"/> <i>The district and board are not confident in the information received from the financial system and Human Resources spreadsheets. Staff turnover and information systems instability have resulted in a reluctance to take action based on the district's fiscal and HR related data.</i>	<input type="checkbox"/>	<input checked="" 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? <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.4	Is the district using the same financial system as its county office of education? <input type="checkbox"/> <i>The district uses Business Plus and the county office uses Munis.</i>	<input type="checkbox"/>	<input checked="" 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 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"/> <i>The county office does not have direct access to the district financial system. The county office used to contract with a consultant who was given direct access to the system; however, that process is no longer active.</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 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 type="checkbox"/> <i>The district does not have a structured process to review and update access to its financial system other than as the Technology Department is informed by Human Resources. No periodic reviews and verifications are scheduled to ensure appropriate access.</i>	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Accounts receivable (AR) <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Purchasing and contracts. <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Payroll <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Human resources (i.e., duties relative to position control and payroll processes) <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 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?
The district works to offset accruals continually throughout the year, but fails to completely clear accruals by year end, leaving balances to carry to the following year. FCMAT could not determine how long accruals are left and allowed to carry on the district's books.
- 15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?
- 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?
The district does not have an established process for collecting and following up on reports of possible fraud. No reporting hotline exists.
Staff interviewed consistently stated they would report any suspected fraud to their superior or the internal auditor.
- 15.9 Does the district have an internal audit process?
The district has an internal auditor, but does not have a formalized internal audit process. The auditor reports to the CBO, and the position reviews accounts payable, associated student body accounts, attendance reports, and fixed assets. In addition, the auditor helps the Fiscal Department as needed and works special projects as assigned by the CBO.

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?
The chief business official (CBO) started with the district in December 2019. The employment contract for the CBO was recently extended to June 2022.
- 16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years?
The superintendent started with the district in July 2020. While new to the district, the superintendent has prior experience working with the issues the district faces.
- 16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?
- 16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management?
The district does not have a schedule to provide regular training to site and department administrators on the Budget Plus system. However, training is offered when system changes occur and the business office provides ongoing access to training manuals for self-help.
- 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?

- 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? ✓

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

- 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? ✓
- 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? ✓

The enrollment and ADA used to calculate LCFF in the out-years does not align with the enrollment and ADA projections and reasonable assumptions. The LCFF calculation uses a flat ADA for 2022-23 through 2024-25, but the district's enrollment projections indicate increasing enrollment and historical patterns indicate a declining enrollment trend.

- 17.3 Does the district use its most current multiyear projection in making financial decisions? . . . ✓

The district uses the MYP to propose reductions in expenditures. However, there is a lack of confidence in information used to develop the MYP and in the district's ability to implement the previously approved reductions. Therefore, the district's financial decisions are not made to correct the structural deficit identified in the multiyear projections.

- 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's MYPI for second interim 2020-21 reports adjustments of \$9,204,155 in 2021-22 and (\$678,272) in 2022-23 for unrestricted certificated salaries (B1d) and an adjustment of \$2,694,209 in 2021-22 for unrestricted classified salaries (B2d).

In addition, for 2021-22, an adjustment of (\$3,634,134) in restricted certificated salaries (B1d) is made and an adjustment of (\$396,131) is made in restricted classified salaries (B2d).

The explanation given for the adjustments in unrestricted is "Other Adjustments in 202122 are to address abnormal decrease due to the pandemic, which is expected to go back to historical level, and also to address natural attrition of FTE for the anticipated decline in enrollment" and the explanation given for the restricted adjustment is "Other Adjustments are additional costs incurred due to the pandemic." These explanations do not provide enough detail to explain the adjustments; therefore, it is undeterminable whether these adjustments 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 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?

On March 24, 2021, Moody's Investors Service, Inc. (Moody's) downgraded the district's general obligation bond ratings to A1 from Aa3. Moody's has also downgraded the district's certificates of participation rating to A2 from A1.

On August 30, 2019, Standard and Poor's (S&P) downgraded the district's general obligation bonds to A+ from AA-.

Additionally, on July 24, 2019, Moody's Investors Service, Inc. (Moody's) downgraded the district's general obligation bond ratings to Aa3 from Aa2 and downgraded the certificates of participation to A1 from Aa3.

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?

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?

19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment?

The district does analyze and factor staffing based on ratios and enrollment; however, it does not use the maximum allowable ratios in its factors.

The district's only staffing commitments are those identified in the collectively bargained agreements, which set minimum staffing levels by setting maximum class size.

Article 6.1 Class Size of the Mt. Diablo Education Association collective bargaining agreement states the class sizes to be observed. The chart below shows the maximum class size provided in the agreement and the class size the district used in its staffing needs worksheet.

Grade	MDEA	District Calculation Staffing Ratio	
	Maximum Class Size	2020-21	2021-22
TK	32	31	27
K	32	31	27
1-3	31	30	29
4-5	34	33	31
6-8	37	36.29*	34.57***
9-12	37	36.17**	34.5****

* the factor of 36.29 is based on average class size (1@33; 1@28; 1@45; remaining @ 37)

** the factor of 36.17 is based on average class size (1@33; 1@28; 1@45; 3 @ 37)

*** the factor of 34.57 is based on average class size (1@31; 1@28; 1@43; remaining @ 35)

****the factor of 34.5 is based on the average class size (1@31; 1@28; 1@43, 3@35)

- 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?
- FCMAT found evidence of lack of reconciliation and alignment of budget, payroll and position control.*
- The general ledger document dated April 30, 2021 provided to FCMAT identified columns for revised budget, actuals to date, encumbrances and remaining balance. In reviewing payroll and benefit account lines in this document, FCMAT found large positive and negative remaining balances, indicating that the budget, actuals and encumbrances are not in alignment. This lack of alignment was found for both certificated and classified major object codes and was found throughout the budget in essentially every resource and fund.*
- In addition, audit reports for years 2017-18, 2018-19, and 2019-20 each reported significant variances between final budget and actual expenditures for salaries and benefits, indicating that issues regarding alignment of budget and actuals has been an issue for several years.*
- 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?
- 19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?
- 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?
- According to interviews and the lack of documentation received supporting meetings, the district human resources, payroll and budget staffs have not held regular meetings in the last few years. Essential communication occurs via email as needed.*

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?
- 20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?
- 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)?
- 20.5 Is the district’s contribution rate to special education at or below the statewide average contribution rate?
- 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 exceeds both the statewide and countywide average for years 2019-20 and 2020-21 in both overall student identification and in noncharter student identification. Considering that the district’s enrollment is approximately 30,000, a .5% difference means an additional 150 students identified as special education eligible.*

Special Ed Rate of Identification

	California	District	Difference
2019-20	11.70%	12.46%	0.76%
2020-21	12.48%	12.97%	0.49%
Noncharter	California	District	difference
2019-20	11.93%	12.50%	0.57%
2020-21	12.63%	13.02%	0.39%
	Contra Costa	District	Difference
2019-20	11.89%	12.46%	0.57%
2020-21	12.25%	12.97%	0.72%
Noncharter	Contra Costa	District	Difference
2019-20	12.03%	12.50%	0.47%
2020-21	12.34%	13.02%	0.68%

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: **39.3%**

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.)