FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

August 13, 2026

San Francisco Unified School District

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

August 13, 2026

Maria Su, Psy.D., Superintendent
San Francisco Unified School District
555 Franklin St.
San Francisco, CA 94102

Dear Superintendent Su:

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

The agreement stated that FCMAT would perform the following:

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

This report contains the fiscal health risk analysis report with the study team's findings and recommendations. FCMAT appreciates the opportunity to assist the San Francisco Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

Contents

About FCMAT

Purpose and Services

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

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

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

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

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

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

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

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

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

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

History

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

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

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

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

Introduction

Background

The San Francisco Unified School District is the sixth-largest school district in California and serves approximately 50,028 students in prekindergarten through grade 12. According to the district, it operates 122 schools, including 72 elementary schools, 13 middle schools, 14 high schools, 3 continuation schools, 11 early education programs, and 9 county and court schools. In addition, the district authorizes 11 charter schools and employs approximately 7,938 staff members. The district is governed by a seven-member Board of Education elected at large to four-year terms. The board appoints the superintendent, who oversees the district's day-to-day operations.

San Francisco is both a city and a county. As a single-district county, the district and the San Francisco County Office of Education are administered jointly and governed by the same Board of Education. Because of this unique governance structure, the California Department of Education (CDE), on behalf of the State Superintendent of Public Instruction, serves as the district's fiscal oversight agency. However, the district and county office maintain separate budgets, accounting records, and financial reporting requirements. The scope of this Fiscal Health Risk Analysis (FHRA) was limited to the district and did not include an assessment of the county office's fiscal condition.

In a letter dated March 5, 2026, the CDE concurred with the district's qualified certification of its 2025-26 first interim financial report. Based on its review of the first interim financial report, subsequent fiscal developments and events, and other identified fiscal concerns, the CDE determined that the district may be unable to meet its financial obligations in the current or subsequent fiscal years. As a result, the district received a lack of going concern designation pursuant to Education Code 1630, which triggered FCMAT's engagement to conduct an FHRA.

The CDE cited several factors supporting its determination, including the lack of a board-approved fiscal stabilization plan, ongoing unrestricted general fund deficit spending, declining enrollment, the use of one-time funds to support ongoing expenditures, uncertainty regarding the fiscal impact of recently negotiated collective bargaining agreements, the potential reduction in average daily attendance-based revenue associated with the five-day teacher strike, and concerns related to fiscal controls and oversight identified in the district's 2024-25 annual financial audit.

FCMAT previously conducted FHRAs of the district in 2022 and 2024. The CDE's lack of going concern designation, which triggered FCMAT's review, was based on its review of the district's 2025-26 first interim financial report and subsequent fiscal developments. However, the district had completed its 2025-26 second interim financial report before FCMAT began its assessment. Accordingly, FCMAT used the district's 2025-26 second interim financial information, along with other supporting documentation, to evaluate the district's current fiscal condition, level of fiscal risk, fiscal management practices, internal controls, and financial planning processes. A comparison of the results from all three FHRAs is provided in Appendix A.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the San Francisco Unified School District on May 15, 2026. A study team visited the district from June 9-11, 2026 to conduct interviews, collect data and review documents. After the fieldwork, the study team continued to analyze the gathered documents and data. This report summarizes the team's findings and conclusions from those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the

Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

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

Study Team

The team was composed of the following members:

Jennifer Noga, CFE
FCMAT Intervention Specialist

Jeffery B. Potter, CFE
FCMAT Intervention Specialist

Alyssa Low
FCMAT Intervention Specialist

Cassady Clifton
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For TK-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Dates of fieldwork: June 9-11, 2026

District: San Francisco Unified School District

Summary

The San Francisco Unified School District continues to face significant fiscal challenges resulting from ongoing unrestricted general fund deficit spending, declining unrestricted reserves, increasing employee compensation costs, declining enrollment, and the continued use of one-time resources to support ongoing expenditures. Although the district projects that it will maintain the required minimum reserve for economic uncertainties throughout the multiyear projection period (the current and two subsequent fiscal years), its long-term fiscal stability depends on implementing sustainable structural budget solutions and strengthening its fiscal systems, internal controls, and financial planning processes to support sound financial decision-making.

During the period covered by this review, the district implemented Frontline as its integrated financial management, human resources, and payroll system beginning with the 2025-26 fiscal year. The district also experienced significant turnover in executive leadership, including changes in the superintendent, chief business official, chief financial officer, and several other executive and management positions. These organizational changes occurred while the district was implementing Frontline and addressing significant fiscal challenges.

FCMAT conducted this Fiscal Health Risk Analysis (FHRA) following the district's lack of going concern designation pursuant to Education Code 1630. Although the review was triggered by the district's 2025-26 first interim financial report, the analysis is based on the district's 2025-26 second interim financial report and other supporting documentation.

The district received an FHRA risk score of 42.9%, placing it in the high-risk category. The highest-risk areas identified by the FHRA include internal controls and fraud prevention, budget development and adoption, general fund-current year, leadership and stability, budget monitoring and updates, deficit spending, position control, and multiyear projections. In addition to the overall risk score, the district's lack of going concern designation and identified material weaknesses support an overall fiscal solvency risk level of High.

The FHRA identified significant concerns regarding the reliability of the district's financial management processes and the information used to support fiscal decision-making. Budget assumptions and multiyear financial projections were not consistently supported by sufficient documentation, position control was not fully reconciled with the budget and payroll systems, and budget development did not consistently include participation from all departments and administrators. FCMAT also identified numerous accounts with expenditures and encumbrances exceeding budgeted amounts, as well as significant differences between the district's financial projections and its final year-end financial results. Collectively, these conditions indicate that the district's budget development, financial monitoring, and projection processes do not consistently produce reliable information for fiscal planning and decision-making.

The district projects significant unrestricted general fund deficit spending during the current fiscal year and continues to rely on one-time resources, including available fund balance, to support ongoing expenditures. Certain collective bargaining agreements include ongoing costs that exceed ongoing funding sources, and some ongoing positions continue to be supported with one-time or restricted funding without an identified long-term funding source. Although the district projects improvements in its unrestricted fund balance during the final year of the multiyear projection, supporting documentation for several significant projection assumptions was not sufficient for FCMAT to substantiate those projected improvements.

The FHRA also identified significant weaknesses in the district's internal controls. Recurring audit findings remain unresolved, user access to the district's financial, payroll and position control systems is not consistently restricted based on employee job responsibilities, and the district lacks formal fraud reporting procedures and an internal audit function. FCMAT also identified concerns related to cash reconciliations, charter school oversight, restricted program budgeting, indirect cost accounting, compensated leave tracking, California Longitudinal Pupil Achievement Data System review procedures, special education fiscal management, and position control processes.

Overall, the FHRA identified conditions that extend beyond the district's current fiscal challenges and indicate broader weaknesses in financial planning, budget development and monitoring, internal controls, and fiscal oversight. Addressing these weaknesses will be essential to improving the reliability of financial information, supporting sound financial decision-making, and restoring the district's long-term fiscal stability.

District Fiscal Solvency Risk Level: High

About the Analysis

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

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

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

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

Areas of High Risk

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

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

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

Material Weakness Questions

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

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

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.4%
2.	Budget Development and Adoption	4.6%
3.	Budget Monitoring and Updates	3.0%
4.	Cash Management	2.0%
5.	Charter Schools	0.7%
6.	Collective Bargaining Agreements	2.0%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	3.6%
9.	Employee Benefits	1.6%
10.	Enrollment and Attendance	2.0%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	4.4%
14.	Information Systems and Data Management	2.2%
15.	Internal Controls and Fraud Prevention	4.4%
16.	Leadership and Stability	4.2%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	3.0%
20.	Special Education	1.1%
Score		**42.9%**

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	**Has the district recorded findings from the most recent and prior two years' audits without negatively affecting its fiscal health?**	☐	✓	☐

The district's 2024-25 financial audit includes Finding 2025-009 related to the Local Control Funding Formula (LCFF) unduplicated pupil count (UPC), which identified approximately $1.31 million in questioned costs. As of the district's 2025-26 second interim financial report, the district had not recorded the associated audit adjustment. District staff indicated during interviews that the finding is being appealed. FCMAT did not identify evidence that this finding has negatively affected the district's fiscal health. The resolution of the appeal, however, could affect the district's future financial position.

		Yes	No	N/A
1.2	**Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?**	✓	☐	☐
1.3	**Were the district's most recent and prior two audit reports free of findings of material weakness?**	☐	✓	☐

The district audit reports included material weakness findings related to year-end closing procedures in each of the three years reviewed.

		Yes	No	N/A
1.4	**Has the district corrected all audit findings from the most recent and prior two audits?**	☐	✓	☐

Several findings identified in the district's three most recent annual financial audits remain unresolved. Repeat findings include year-end closing and financial reporting, payroll-related controls, the internal audit function, payroll bank information changes, and immunization compliance. The district also received new findings in its 2024-25 annual financial audit related to the School Accountability Report Card, Expanded Learning Opportunities Program (ELOP) registration forms, ELOP pupil-to-staff ratios, LCFF UPC, and transitional kindergarten average class enrollment and adult-to-pupil ratios. Although the district has begun implementing corrective actions, additional work is necessary to fully resolve the outstanding findings.

2. Budget Development and Adoption

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

The district provided an executive summary and PowerPoint presentation documenting the assumptions used to develop the budget included in the 2025-26 second interim financial report. However, the documents do not adequately explain changes in the multiyear projection (MYP) or provide sufficient detail regarding staffing adjustments, step-and-column increases, the fiscal impact of negotiated salary increases, and the statutory benefit and health and welfare assumptions used in the current and subsequent two fiscal years.

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

The district's position control report differed from the positions reflected in the 2025-26 second interim financial report. The district recently hired a position control director and is working to reconcile position data in Frontline, its integrated human resources, finance and payroll system; however, interviews indicated that position control data was not fully reconciled with budget and payroll systems during development of the 2025-26 second interim financial report.

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

Interviews indicated that budget development input was not consistently obtained from all administrators and departments. Although some staff participated in the budget development process, several administrators and department staff indicated they were not involved.

2.7	**Does the district budget and expend restricted funds before unrestricted funds?**	☐	✓	☐

The district's restricted ending fund balance has represented a significant share of its total general fund ending balance each year reviewed, indicating that restricted resources may not be consistently expended before unrestricted resources are used. For 2025-26, after including the approximately $112 million of unrestricted resources transferred to Special Reserve Fund for Other Than Capital Outlay Projects, restricted resources are projected to represent 49% of the district's combined General Fund and Special Reserve Fund for Other Than Capital Outlay Projects ending fund balance.

Table 1 shows restricted ending fund balances as a percentage of total general fund ending balance from 2021-22 through 2025-26.

Table 1. Restricted Ending Fund Balance as a Percentage of Total General Fund Ending Balance, 2021-22 – 2025-26

Fiscal Year	Restricted % of General Fund Ending Balance
2021-22	42%
2022-23	47%
2023-24	51%
2024-25	48%
2025-26	49%

Source: District unaudited actuals for 2021-22 through 2024-25 and the district's 2025-26 second interim financial report.

Note: The 2025-26 percentage is based on the combined ending fund balance of the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects and includes approximately $112 million of unrestricted resources transferred to the Special Reserve Fund for Other Than Capital Outlay Projects.

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

FCMAT's review of the district's general ledger and interviews confirmed that the district uses budgeted balancing accounts with negative expenditure amounts in objects other than the 5700 and 7300 series.

		Yes	No	N/A
2.11	**Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district's unrestricted general fund?**	✓	☐	☐
2.12	**Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?**	☐	✓	☐

Although the district provided a budget development calendar, interviews indicated that staff responsible for budget development were unaware of the calendar or did not use it during the budget development process.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	**Are actual revenues and expenses consistent with the most current budget?**	☐	✓	☐

FCMAT's review of the district's financial system reports for 2025-26 identified numerous account lines in which expenditures and encumbrances exceeded budgeted amounts, resulting in negative available balances. In addition, FCMAT identified significant variances between the district's 2024-25 estimated actuals and unaudited actuals. Collectively, these conditions indicate that the district's budget monitoring and expenditure controls were not sufficient to ensure that the district's most current budget accurately reflected its fiscal condition.

		Yes	No	N/A
3.2	**Are budget revisions posted in the financial system at each interim reporting period, at a minimum?**	✓	☐	☐
3.3	**Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum?**	✓	☐	☐
3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?**	✓	☐	☐
3.5	**Do the district's responses fully explain the variances identified in the SACS Criteria and Standards Review form?**	✓	☐	☐

		Yes	No	N/A
3.6	**Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?**	☐	✓	☐

Because of its structure as a single-district county, the CDE, on behalf of the superintendent of public instruction, serves as the district's fiscal oversight agency rather than the county superintendent of schools. The district has not addressed all deficiencies identified in the CDE's oversight letters during the most recent and prior two fiscal years. Outstanding concerns include deficit spending, the use of one-time funds to support ongoing expenditures, the timely resolution of audit findings, and the reconciliation of prior payroll errors.

		Yes	No	N/A
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 funds for salaries and benefits and adjust those encumbrances as needed?**	✓	☐	☐
3.9	**For the most recent and two prior fiscal years, have the district's interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?**	☐	✓	☐

The district submitted all interim financial reports within the statutory timelines during the most recent and two prior fiscal years. However, the district submitted its 2024-25 unaudited actual financial report on October 16, 2025, one day after the statutory October 15, 2025 deadline.

4. Cash Management

		Yes	No	N/A
4.1	**Are accounts held by the county treasurer reconciled with the district's and county office of education's (COE) reports monthly?**	☐	✓	☐

Review of the district's reconciliation documentation indicated that accounts held by the county treasurer are not reconciled monthly. For example, the January 2026 reconciliation was completed in March 2026, the February 2026 reconciliation was completed in April 2026, and the March 2026 reconciliation was completed on April 30, 2026, and reviewed on May 1, 2026. Interviews indicated that the timing of information received from the City and County of San Francisco affected when reconciliations could be completed. Regardless of the cause, untimely reconciliations increase the risk that errors, omissions or irregularities will not be identified and corrected in a timely manner.

		Yes	No	N/A
4.2	**Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner?**	☐	✓	☐

District documentation did not consistently include provide evidence of when reconciliations were completed and reviewed. As a result, FCMAT could not verify that all bank accounts were reconciled in a timely manner.

		Yes	No	N/A
4.3	**Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?**	✓	☐	☐
4.4	**If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?**	✓	☐	☐

		Yes	No	N/A
4.5	**Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?**	✓	☐	☐
4.6	**If the district uses interfund borrowing, is it complying with EC 42603?**	✓	☐	☐
4.7	**If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement?**	☐	☐	✓

5. Charter Schools

		Yes	No	N/A
5.1	**Does the district have a board policy, memorandum of understanding (MOU), or other written document(s) regarding charter oversight?**	☐	✓	☐

Although the district has board policies outlining the processes for charter petition review, charter renewal, and charter revocation, it did not provide a comprehensive board policy or other written procedures describing its overall charter school oversight process.

		Yes	No	N/A
5.2	**Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?**	☐	✓	☐

The district identified a primary charter school oversight contact but did not provide sufficient documentation or other evidence demonstrating that it performs all charter school oversight responsibilities. Documentation reviewed and interviews conducted by FCMAT did not demonstrate a comprehensive oversight process encompassing the fiscal, operational and instructional areas necessary for effective oversight of authorized charter schools.

		Yes	No	N/A
5.3	**Are all charters authorized by the district going concerns and not in fiscal distress?**	☐	✓	☐

District documents and interviews indicated that the district has fiscal concerns regarding one authorized charter school, Five Keys Independence High School, and is working collaboratively with the charter school to address its fiscal outlook.

		Yes	No	N/A
5.4	**Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?**	☐	✓	☐

While the district identified a primary charter oversight contact and provided documentation assigning certain oversight responsibilities in areas such as fiscal, legal, and attendance reporting, documentation reviewed and interviews conducted by FCMAT did not demonstrate a coordinated oversight process involving all appropriate district departments, including human resources, educational services, and facilities.

		Yes	No	N/A
5.5	**Does the district monitor charter school audits for timeliness, completeness, and exceptions?**	✓	☐	☐

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	**Has the district settled with all its bargaining units for the past two fiscal years?**	✓	☐	☐
6.2	**Has the district settled with all its bargaining units for the current year?**	✓	☐	☐

		Yes	No	N/A
6.3	**Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?**	✓	☐	☐
6.4	**Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?**	☐	✓	☐

The district's presettlement analyses for certain 2025-26 settlements indicated that the ongoing costs of the settlements would be funded using available fund balance rather than ongoing revenue sources or expenditure reductions. Reliance on one-time resources to fund ongoing expenditures increases the risk of declining reserves and fiscal insolvency.

		Yes	No	N/A
6.5	**In the current and prior two fiscal years, has the total cost of the district's bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)?**	☐	✓	☐

The district approved settlements for certain bargaining units during 2025-26 that include ongoing compensation increases exceeding the funded statutory COLA. For example, one settlement provides an ongoing compensation increase of 4.5%, exceeding the 2025-26 statutory COLA of 2.3%.

		Yes	No	N/A
6.6	**If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)?**	☐	☐	✓
6.7	**Did the district comply with public disclosure requirements under Government Codes 3540.2 and 3547.5, and EC 42142?**	✓	☐	☐
6.8	**Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval?**	✓	☐	☐
6.9	**Is the governing board's action consistent with the superintendent's and CBO's certification?**	✓	☐	☐

7. Contributions and Transfers

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

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

		Yes	No	N/A
7.2	**If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?**	☐	☐	✓
7.3	**If any contributions or transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?**	✓	☐	☐

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 2025-26 second interim financial report projects unrestricted general fund deficit spending of approximately $161 million.

		Yes	No	N/A
8.2	**Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?**	☐	✓	☐

The district projects unrestricted general fund deficit spending of approximately $2.5 million in 2026-27, followed by an increase in unrestricted general fund balance of approximately $30.2 million in 2027-28. The projected improvement in 2027-28 is based on expenditure reductions and other budget-balancing assumptions included in the district's multiyear projection. As discussed in item 17.4, FCMAT could not verify all assumptions supporting these projected adjustments.

		Yes	No	N/A
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 governing board approved resolutions reducing 10 certificated and 32 classified positions for the 2026-27 fiscal year and approved actions to implement a Supplemental Employee Retirement Program as part of the district's cost-reduction efforts. Although the district developed a Fiscal Stabilization Plan identifying additional budget-balancing measures, it did not provide evidence that the governing board approved all budget-balancing measures reflected in the district's MYP to eliminate deficit spending.

		Yes	No	N/A
8.4	**Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?**	☐	✓	☐

The district did not report unrestricted general fund deficit spending in 2023-24. However, its 2024-25 unaudited actuals reported unrestricted general fund deficit spending, and its 2025-26 second interim financial report projects a significant increase in deficit spending, as shown in Table 2. These results do not demonstrate a reduction in deficit spending over the past two fiscal years.

Table 2. Unrestricted General Fund Net Increase or Decrease, 2023-24 – 2025-26

Fiscal Year	Report	Amount
2023-24	Unaudited Actuals	$7,909,252
2024-25	Unaudited Actuals	-$6,045,311
2025-26	2nd Interim (Projected)	-$160,975,924

Source: District unaudited actuals for 2023-24 through 2024-25 and the district's 2025-26 second interim financial report.

9. Employee Benefits

		Yes	No	N/A
9.1	**Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)?**	✓	☐	☐
9.2	**Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district's unrestricted general fund revenues?**	☐	✓	☐

The district funds its OPEB obligations on a pay-as-you-go basis. According to the actuarial valuation dated May 13, 2026, annual OPEB expenditures are projected to exceed 2% of unrestricted general fund revenues.

		Yes	No	N/A
9.3	**Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?**	✓	☐	☐
9.4	**Does the district track, reconcile and report employees' compensated leave balances?**	☐	✓	☐

Interviews indicated that the district has concerns regarding the accuracy of its system for tracking compensated leave balances. In addition, limited reconciliation and reporting capabilities prevent the district from validating employees' compensated leave balances.

		Yes	No	N/A
9.5	**Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?**	✓	☐	☐

10. Enrollment and Attendance

		Yes	No	N/A
10.1	**Has the district's enrollment been increasing or remained stable for the current and two prior years?**	☐	✓	☐

Enrollment has fluctuated during the current and prior two years. Total enrollment increased from 55,452 students in 2023-24 to 55,840 students in 2024-25 before declining to 55,237 students in 2025-26, an overall decrease of 215 students over the three-year period.

		Yes	No	N/A
10.2	**Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)?**	✓	☐	☐
10.3	**Does the district track historical enrollment and ADA data to project future trends?**	✓	☐	☐
10.4	**Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels?.**	✓	☐	☐
10.5	**Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?**	✓	☐	☐
10.6	**Has the district planned for enrollment losses to any charter schools?**	✓	☐	☐

		Yes	No	N/A
10.7	**Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines?**	☐	✓	☐

Interviews indicated that not all applicable schools and departments review, verify, and correct CALPADS data before submission deadlines. Interviews also indicated that staff lack training on reviewing, correcting and validating CALPADS data before certification.

		Yes	No	N/A
10.8	**Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines?**	✓	☐	☐
10.9	**Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?**	✓	☐	☐
10.10	**Does the district adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code?**	✓	☐	☐

11. Facilities

		Yes	No	N/A
11.1	**If the district participates in the state's School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account?**	✓	☐	☐
11.2	**Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?**	✓	☐	☐
11.3	**Does the district properly track and account for facility-related projects?**	✓	☐	☐
11.4	**Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction's loading standards?**	☐	✓	☐

Interviews indicated that some school sites are not being fully utilized because of declining enrollment. The district conducted a facility utilization analysis that identified excess capacity at certain school sites and is exploring options to better utilize available space.

		Yes	No	N/A
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?**	☐	✓	☐

Although the district conducted the facilities inspections required by the Williams Act, district documentation identified unresolved facility deficiencies at many school sites, some of which have been remained unresolved for several years. Consistent with those concerns, the district's 2025-26 Annual Williams Report, dated October 27, 2025, stated:

None of the school facilities identified for monitoring received a rating of Good or Exemplary. However, 72.55% of SFUSD's and charter school facilities received a Poor Rating, and 27.45% received a Fair Rating.

		Yes	No	N/A
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 board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs?**	✓	☐	☐

12. Fund Balance and Reserve for Economic Uncertainties

		Yes	No	N/A
12.1	**Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the State Standards and Criteria for Fiscal Solvency?**	✓	☐	☐
12.2	**Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?**	✓	☐	☐
12.3	**If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?**	☐	☐	✓
12.4	**Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions?**	☐	✓	☐

Table 3 shows the district's 2024-25 unaudited actual unrestricted ending fund balance and the projected unrestricted ending fund balances for the current and two subsequent fiscal years from the 2025-26 second interim financial report. The unrestricted ending fund balance is projected to decline by 73% in 2025-26 and an additional 4% in 2026-27 before increasing by 52% in 2027-28.

Table 3. Unrestricted Ending Fund Balance, 2024-25 Unaudited Actual and 2025-26 – 2027-28 Projections

Fiscal Year	Ending Fund Balance	Change	% Change
2024-25 Unaudited Actual	$221,181,528	–	–
2025-26 Projected	$60,205,604	-$160,975,924	-73%
2026-27 Projected	$57,730,045	-$2,475,559	-4%
2027-28 Projected	$87,911,246	$30,181,201	52%

Source: District unaudited actuals for 2024-25 and the district's 2025-26 second interim financial report.

The district's MYP includes significant changes to unrestricted salary expenditures in the subsequent fiscal years. However, the district did not provide sufficient documentation or supporting narrative to substantiate these assumptions, and interviews did not adequately explain the projected expenditure changes.

		Yes	No	N/A
12.5	**If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level to cover these costs?**	✓	☐	☐

13. General Fund – Current Year

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

Some restricted programs, including the Educator Effectiveness and A-G Learning Loss grants, support ongoing expenditures that are projected to continue after grant funding expires, requiring ongoing support from the unrestricted general fund.

		Yes	No	N/A
13.2	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the prior year statewide average?**	☐	✓	☐

The district's 2025-26 second interim financial report indicates that salaries and benefits account for 87% of unrestricted general fund expenditures, higher than the 2024-25 statewide average of 86% (Ed-Data).

		Yes	No	N/A
13.3	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below that of the prior two years?**	☐	✓	☐

The district allocated 87.0% of its unrestricted general fund expenditure budget to salaries and benefits in 2025-26. According to the district's unaudited actuals, this represents a slight increase from 86.0% in 2024-25 and 84.9% in 2023-24.

		Yes	No	N/A
13.4	**If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or prior two years, is the district addressing the complaint(s)?**	☐	☐	✓
13.5	**For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds?**	☐	✓	☐

As noted in item 13.1, some positions supported by one-time restricted funding are projected to continue after the associated grants expire. The district did not provide documentation identifying an ongoing funding source or plan to support these positions with unrestricted general fund resources after grant funding ends.

		Yes	No	N/A
13.6	**Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?.**	☐	✓	☐

FCMAT's review identified a remaining restricted fund balance of $23,917 in Resource 6230, California Clean Energy Jobs Act. Proposition 39-funded projects were required to be completed by June 30, 2021, and any unspent funds associated with projects not completed by that date were required to be returned. The district's continued reporting of this balance indicates that the resource has not been fully closed out

		Yes	No	N/A
13.7	**Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?**	☐	✓	☐

FCMAT's review indicated that the district calculates and charges indirect costs to some restricted programs only at unaudited actuals. As a result, indirect costs are not accurately projected during the fiscal year, preventing the district from budgeting the full anticipated cost of these programs at each interim reporting period. Further, as discussed in item 20.4, the district did not charge the maximum allowable indirect cost rate to its special education programs.

		Yes	No	N/A
13.8	**Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close?**	✓	☐	☐

14. Information Systems and Data Management

		Yes	No	N/A
14.1	**Does the district use an integrated financial and human resources system?**	✓	☐	☐
14.2	**Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?**	✓	☐	☐
14.3	**Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?**	☐	✓	☐

Finding 2025-009 in the district's 2024-25 independent audit identified insufficient supporting documentation for 447 students reported as eligible for free or reduced-price meals, English learners, and foster youth, resulting in approximately $1.31 million in questioned costs.

		Yes	No	N/A
14.4	**Is the district using the same financial system as its COE?**	☐	✓	☐

Although the district and county office share the same financial system, the county office does not function as the district's oversight agency. As a single district-county, the CDE is the statutory oversight agency for both entities. The district does not use the same financial system as the CDE.

		Yes	No	N/A
14.5	**If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems?**	☐	✓	☐

The CDE is the statutory oversight agency for both the district and the county office. However, no automated interface exists between the district and the CDE to transmit data for oversight purposes.

		Yes	No	N/A
14.6	**If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE can provide oversight, review and assistance?**	✓	☐	☐

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	**Does the district have controls that limit access to its financial system and include multiple levels of authorization?**	☐	✓	☐

Interviews indicated that access to the district's payroll and position control systems is not restricted based on job responsibilities. User permissions provide access to functions beyond those required to perform assigned duties.

		Yes	No	N/A
15.2	**Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually?**	✓	☐	☐
15.3	**Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:**			
	• **Accounts payable (AP).**	✓	☐	☐
	• **Accounts receivable (AR).**	✓	☐	☐
	• **Purchasing and contracts.**	✓	☐	☐

	Yes	No	N/A
• **Payroll..**	☐	✓	☐
Interviews indicated that payroll staff have access to payroll system functions that are more appropriately assigned to human resources, including the ability to add or change an employee's placement on the salary schedule. In addition, changes to employees' direct deposit information are not independently reviewed after they are made, indicating inadequate supervisory oversight and increasing the risk of unauthorized change.			
• **Human resources (i.e., duties related to position control and payroll processes).**	☐	✓	☐
Interviews indicated that human resources staff have administrative access within the position control system without role-based restrictions, increasing the risk that incompatible duties are not adequately segregated.			
15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
15.5 Does the district review and work to clear prior year accruals throughout the year?	✓	☐	☐
15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools?	✓	☐	☐
15.7 Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐
Interviews indicated that staff were not aware of any processes or procedures for preventing or detecting fraud. The absence of documented or communicated fraud prevention measures increases the risk that fraudulent activity may not be prevented or identified in a timely manner.			
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?	☐	✓	☐
Interviews indicated that the district lacks a formal process for collecting reports of possible fraud, such as a fraud reporting hotline, or for investigating and responding to reports.			
15.9 Does the district have an internal audit process?	☐	✓	☐
The district does not have an internal audit process. Finding 2025-004 in the district's 2024-25 independent audit reported that the district lacked an internal audit function The audit further noted that an internal audit function would be beneficial given the district's size, complexity, and status as a single-district county. During FCMAT's fieldwork, the district was recruiting to fill a vacant internal auditor position. That position has since been filled.			

16. Leadership and Stability

	Yes	No	N/A
16.1 Does the district have a CBO who has been in this position with the district for more than two years?	☐	✓	☐
At the time of FCMAT's fieldwork, the district's CBO had served in the position for approximately 11 months.			
16.2 Does the district have a superintendent who has been in this position with the district for more than two years?	☐	✓	☐
At the time of FCMAT's fieldwork, the district's superintendent had served in the position for approximately 18 months.			

16.3 Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet? . . . . . ✓ ☐ ☐

16.4 Is training on financial management and budget provided to school and department administrators who are responsible for budget management? . . . . . ☐ ✓ ☐

Although training was provided during implementation of the district's new Frontline financial system, interviews indicated that not all administrators responsible for budget management received training on financial management and budgeting.

16.5 Does the governing board adopt and revise policies and administrative regulations annually?. . . . . . ☐ ✓ ☐

The governing board adopts and revises board policies and administrative regulations as needed but does not have a process to review and update them on a regular or annual basis. FCMAT noted that some board policies, including those related to the Associated Student Body, were not available on the district's website and may not exist. Interviews indicated that the district and governing board plan to implement a more structured process for reviewing and updating board policies and administrative regulations.

16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff?. . . . . . ☐ ✓ ☐

The district did not provide evidence that updates to board policies and administrative regulations are consistently communicated 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? . . . ✓ ☐ ☐

16.9 Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities? . . . . . ✓ ☐ ☐

17. Multiyear Projections

Yes No N/A

17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? . . . . . ☐ ✓ ☐

As discussed in item 2.1, the documentation provided by the district did not adequately explain the assumptions used to develop the MYP, including significant changes to staffing, salaries and benefits, and other expenditure assumptions for the current and subsequent two fiscal years.

17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations? . . . . . ✓ ☐ ☐

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

		Yes	No	N/A
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 MYP includes broad adjustment categories. Although the notes accompanying Form MYP reference an attachment describing the adjustments, the district did not provide the attachment or other supporting documentation. As a result, FCMAT could not determine what was included in the adjustment amounts or assess whether they were reasonable.

18. Non-Voter-Approved Debt and Risk Management

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

19. Position Control

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

Substitutes and overtime are not included in the position control system, increasing the risk that expenditures in these areas will be underbudgeted.

		Yes	No	N/A
19.2	**Does the district analyze and adjust staffing based on staffing ratios and enrollment?**	✓	☐	☐
19.3	**Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?**	☐	✓	☐

Interviews indicated that the district does not regularly reconcile the budget, payroll and position control systems at budget adoption or during interim financial reporting periods.

		Yes	No	N/A
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?**	☐	✓	☐

Interviews indicated that executive-level positions are presented to the governing board for approval. However, positions established by departments or school sites are generally approved administratively and are not routinely presented to the governing board for approval before being posted.

		Yes	No	N/A
19.6	Do managers and staff responsible for the district's human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes?	✓	☐	☐

20. Special Education

		Yes	No	N/A
20.1	For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students' support needs also considered? If so, are those needs documented and evaluated at each budget cycle?	✓	☐	☐
20.2	Does the district access all available funding sources for costs related to special education (e.g., state excess cost pool, legal fees, mental health)?	✓	☐	☐
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)?	☐	✓	☐

As of the 2025-26 second interim financial report, the district applied an indirect cost rate of 2.26% to special education rather than the 7.05% rate approved by the CDE, resulting in understated special education costs.

		Yes	No	N/A
20.5	Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?.	✓	☐	☐
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 eligible for special education is 16.45%, which is 0.17% below the countywide average and 1.41% above the statewide average.

		Yes	No	N/A
20.7	Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period?	☐	✓	☐

Interviews indicated that the district reviews its maintenance of effort (MOE) at each interim reporting period. However, FCMAT's review found that the district's 2025-26 first and second interim MOE report forms had not been completed.

Risk Score, 20 numbered sections only: 42.9%

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.)

Appendices

Appendix A — Risk Analysis Results Comparison

Appendix B — Study Agreement

Appendix A — Risk Analysis Results Comparison

Year	Fiscal Solvency Risk Score	Risk Level
2022	38.4%	High
2024	50.7%	High
2026	42.9%	High

1. Annual Independent Audit Report

	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	3	0	1	
No	1	4	3	Decreased by 1
N/A	0	0	0	

2. Budget Development and Adoption

	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	8	8	6	
No	4	4	6	Increased by 2
N/A	0	0	0	

3. Budget Monitoring and Updates

	2022	2024	2026*	Change in Number of "No" Responses (2024-2026)
Yes	4	3	6	
No	6	7	3	Decreased by 4
N/A	0	0	0	

Note: The 2026 FHRA includes one fewer question in this section compared with the 2024 FHRA.

4. Cash Management

	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	3	2	4	
No	4	4	2	Decreased by 2
N/A	0	1	1	

5. Charter Schools

	2022	2024	2026*	Change in Number of "No" Responses (2024-2026)
Yes	4	4	1	
No	0	0	4	Increased by 4
N/A	0	0	0	

Note: The 2026 FHRA includes one additional question in this section compared with the 2024 FHRA.

6. Collective Bargaining Agreements

	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	4	4	6	
No	5	4	2	Decreased by 2
N/A	0	1	1	

7. Contributions and Transfers

	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	1	2	1	
No	2	1	1	No Change
N/A	0	0	1	

8. Deficit Spending (Unrestricted General Fund)				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	1	4	0	
No	3	0	4	Increased by 4
N/A	0	0	0	

9. Employee Benefits				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	3	2	3	
No	2	3	2	Decreased by 1
N/A	0	0	0	

10. Enrollment and Attendance				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	9	2	8	
No	1	8	2	Decreased by 6
N/A	0	0	0	

11. Facilities				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	5	5	6	
No	3	3	2	Decreased by 1
N/A	0	0	0	

12. Fund Balance and Reserve for Economic Uncertainties				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	2	4	3	
No	3	1	1	No Change
N/A	0	0	1	

13. General Fund - Current Year				
	2022	2024	2026*	Change in Number of "No" Responses (2024-2026)
Yes	2	2	2	
No	4	4	6	Increased by 2
N/A	1	1	0	

Note: The 2026 FHRA includes one additional question in this section compared with the 2024 FHRA.

14. Information Systems and Data Management				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	3	2	3	
No	1	1	3	Increased by 2
N/A	2	3	0	

15. Internal Controls and Fraud Prevention				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	10	5	7	
No	3	8	6	Decreased by 2
N/A	0	0	0	

16. Leadership and Stability				
	2022	2024	2026*	Change in Number of "No" Responses (2024-2026)
Yes	6	5	4	
No	2	3	5	Increased by 2
N/A	0	0	0	

Note: The 2026 FHRA includes one additional question in this section compared with the 2024 FHRA.

17. Multiyear Projections				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	2	1	2	
No	2	2	2	No Change
N/A	0	1	0	

18. Non-Voter-Approved Debt and Risk Management				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	2	1	1	
No	2	0	0	No Change
N/A	0	3	3	

19. Position Control				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	5	0	3	
No	1	6	3	Decreased by 3
N/A	0	0	0	

20. Special Education				
	2022	2024	2026	Change in Number of "No" Responses (2024-2026)
Yes	2	5	4	
No	5	1	3	Increased by 2
N/A	0	1	0	

Appendix B — Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

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

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

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions, FCMAT will study the Client's fiscal health because the state superintendent of public instruction designated the Client as a lack of going concern in accordance with EC 1630.

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

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

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

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

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

V01092024

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

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

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

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

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

3. PROJECT PERSONNEL

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

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

4. PROJECT COSTS

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

5. RESPONSIBILITIES OF THE CLIENT

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

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

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

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

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

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

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

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

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

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

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

6. PROJECT SCHEDULE

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

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

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

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

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

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

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

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

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

8. INDEPENDENT CONTRACTOR

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

9. RECORDS

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

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

10. CONTACT WITH PUPILS

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

11. INSURANCE

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

12. HOLD HARMLESS

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

13. PUBLIC SAFETY CONSIDERATIONS

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

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).

C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

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

15. EVALUATION

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

16. CLIENT CONTACT PERSON

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

Name: Chris Mont-Benites, Deputy Superintendent, Business Services

Telephone: (415) 241-6000

Email: mount-benitesc@sfusd.edu

17. SIGNATURES

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

For Client:

Maria Su Digitally signed by Maria Su
Date: 2026.05.13 13:34:45 -07'00'

Maria Su, Psy.D., Superintendent Date
San Francisco Unified School District

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2026.05.15 12:44:58 -07'00'

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

V01262024 7