FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

October 31, 2022

San Marcos Unified School District

Michael H. Fine
Chief Executive Officer

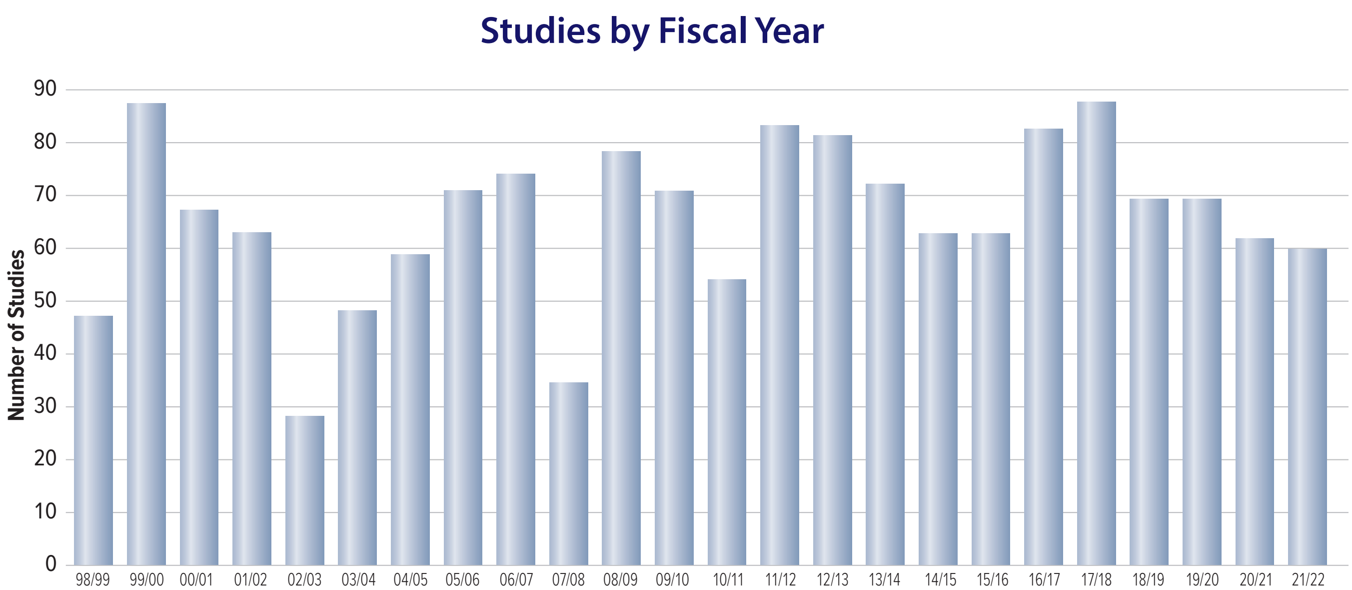
Contents

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.



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 how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

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

Introduction

Background

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 the following condition, under which an analysis is required by the 2018-19 State Budget Act.

- Three consecutive qualified interim report certifications

The San Marcos Unified School District serves the city of San Marcos and surrounding areas and is the seventh largest district in San Diego County. The district operates with a general fund budget of approximately $271.7 million and employs approximately 3,340 staff. It is governed by a five-member board of trustees.

As of 2021-22, the district serves more than 19,000 students in transitional kindergarten (TK) through grade 12 at 19 schools. The district's student population is mostly Hispanic (46%) and White (39%). The district also has significant numbers of Asian, Filipino and African American students. Approximately 39% of students come from socioeconomically disadvantaged households, while 14% of students are identified English learners and 13.7% as students with disabilities.

The district has had four consecutive qualified interim reports since 2020-21, indicating the district may not be able to meet its fiscal obligations in the current and two subsequent years. During that time, the San Diego County Office of Education reviewed the district's interim report submissions and concurred with their fiscal status.

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 San Marcos Unified School District on August 1, 2022, and a study team visited the district on August 30-31, 2022, and on September 1, 2022, to conduct interviews, collect data and review documents. 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:

John Von Flue
FCMAT Chief Analyst

Tami Montero
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 K-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Dates of fieldwork: August 30-31, 2022, and September 1, 2022

District: San Marcos Unified School District

Summary

The San Marcos Unified School District was first identified as a fiscal concern when it self-certified as qualified, with concurrence from the San Diego County Office of Education, for the 2020-21 first interim reporting period. A qualified certification means that the district may not be able to meet its financial obligations for the current or two subsequent fiscal years. The district subsequently reported its status as qualified for the second interim in 2020-21 and both interims in 2021-22.

This report finds that the district is at high risk of insolvency.

Although FCMAT identified the district's FHRA score as in the low-risk category, the existence of key issues elevates the district's risk of insolvency to high. The district self-identified as qualified for four consecutive interims in 2020-21 and 2021-22 without correcting its fiscal deficiencies. In addition, FCMAT's analysis revealed two material weaknesses of immediate concern: a failure to forecast cash flow needs for the subsequent fiscal years; and a failure to account for all positions and costs. The FHRA sections that most affect the district's fiscal health include item 16, "Leadership and Stability"; item 2, "Budget Development and Adoption"; and item 19, "Position Control."

The "Leadership and Stability" section of the report identifies the frequent turnover of chief business official and superintendent positions in recent years. The absence of consistent leadership has affected the district's ability to respond to fiscal stresses such as declines in enrollment (from which most of the district's revenues are derived) and the increasing costs of operation. This instability has also affected the consistency of budget and governance training, which may have inhibited the district trustees' and administration's responsiveness in leading the district toward fiscal soundness.

The report's "Budget Development and Adoption" section identifies issues with the district's budget development process, such as the lack of a district calendar to guide staff and departments. FCMAT also found an absence of policies and procedures for evaluating the acceptance of grants and their impact on the general fund, which can lead to the district accepting restricted funds and committing to activities that distract from its priorities.

Lastly, the "Position Control" section of the report finds that the district does not have a position control system implemented that accounts for all staff positions and costs. With salaries and benefits composing more than 92% of the district's expenditures in the recent fiscal years, it is vital that the district maintain controls on staffing and information on all staffing costs. Even slight variances or unknowns in costs can have a significant impact on the district's budget and fund balances and can affect the district's fiscal solvency.

Ultimately, the governing board is responsible for the district's budget. Management has the responsibility to maintain the integrity of the district's systems, to secure the district's assets, and to present sound financial information based on current and accurate data so the board can make informed decisions and maintain the district's fiscal solvency.

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 on this page and the next 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 *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 its county office of education 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 Education Code Section 42142?	✓	☐	☐
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?	✓	☐	☐
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 address 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 Education Code Section 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 them in its budget and multiyear projections?	✓	☐	☐
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	3.3%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	1.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	1.0%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	0.0%
9.	Employee Benefits	0.6%
10.	Enrollment and Attendance	1.0%
11.	Facilities	0.1%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	1.8%
14.	Information Systems and Data Management	2.0%
15.	Internal Controls and Fraud Prevention	0.8%
16.	Leadership and Stability	3.5%
17.	Multiyear Projections	0.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.9%
20.	Special Education	1.4%
Score		**22.3%**

Fiscal Health Risk Analysis Questions

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	✓	☐

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?	☐	☐	✓
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.)	✓	☐	☐
1.3	Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	✓	☐	☐
1.4	Has the district corrected all reported audit findings from the most recent and prior two audits?	☐	☐	✓

2. Budget Development and Adoption

		Yes	**No**	**N/A**
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	☐	✓	☐
	The district clearly articulates written assumptions related to preparing the multiyear projection. However, the budget year assumptions are not written or displayed in the same manner.			
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?	✓	☐	☐
2.3	Does the district use position control data for budget development?	☐	✓	☐
	The district does not use position control for budget development. A new position control system was implemented at the time of FCMAT’s visit, but the 2022-23 budget was not built using a position control document. The personnel portion of that budget was based on staffing ratio calculations and compensation estimates.			
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	✓	☐	☐
2.5	Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	☐	☐
2.6	Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	✓	☐	☐
2.7	Does the district budget and expend restricted funds before unrestricted funds?	✓	☐	☐

		Yes	No	N/A
2.8	Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year?	✓	☐	☐
2.9	Has the district refrained from including carryover funds in its adopted budget?	✓	☐	☐
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?	☐	✓	☐

Instead of directly charging to the Education Protection Account (EPA) at the time of the transaction, the district uses a contra expenditure account to help reconcile EPA expenditures that offset costs in the general fund.

		Yes	No	N/A
2.11	Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted general fund?	☐	✓	☐

The district does not have a documented policy or procedure for evaluating the proposed acceptance of grants and other types of restricted funds.

		Yes	No	N/A
2.12	Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members/departments responsible for completing them?	☐	✓	☐

The district does not have a budget development calendar.

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?	☐	✓	☐

The district clearly articulates written assumptions related to preparing the multiyear projection. The budget year assumptions are not written or displayed in the same manner. Additionally, the second interim financial report includes reduced expenditures that show no deficit spending, but the assumptions do not document these changes.

		Yes	No	N/A
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?	✓	☐	☐
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	☐	✓	☐

The district indicated that its financial software has a control that prohibits the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure. To enable this feature, the district must opt to be a "control district" in the software. The district has not enabled this feature.

		Yes	No	N/A
3.8	Does the district encumber and adjust encumbrances for salaries and benefits?	✓	☐	☐

		Yes	No	N/A
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	✓	☐	☐
3.10	For the most recent and two prior fiscal years, 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?	✓	☐	☐
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	✓	☐	☐
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? *The district's 2021-22 second and third interim cash flow forecasts include only the current year. However, the 2022-23 budget includes the base year and the subsequent year.*	☐	✓	☐
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?	☐	☐	✓
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 interfund borrowing is occurring, does the district comply with Education Code Section 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 or other written document(s) regarding charter oversight?	✓	☐	☐
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	✓	☐	☐
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	✓	☐	☐
5.4	Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?	✓	☐	☐

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?	✓	☐	☐
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	☐	☐

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? . . . . ✓ ☐ ☐

6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)? . . . . ☐ ✓ ☐

District settlements reached in a 2018-19 multiyear agreement exceeded funded COLA in the 2020-21 fiscal year. For 2021-22, the district settled with its certificated employee bargaining group at over the funded COLA. In addition, the district incurred mandatory compensation cost increases due to increased minimum wage requirements.

Year	Classified Increase	Certificated Increase	Funded COLA
2020-21	2%	2%*	0%
2021-22	0%	3.5%	2.7%
		*Effective January 1, 2021	

Source: District collective bargaining disclosures.

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 Code Sections 3540.2 and 3547.5, and Education Code Section 42142? . . . . ✓ ☐ ☐

6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to 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 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 makes mandatory contributions to the routine restricted maintenance account. The district also makes contributions to the special education account and has no plan to reduce or eliminate these contributions.

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? . . ✓ ☐ ☐

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

Section 12.8 of the district' s contract with the California School Employees Association (CSEA) provides that the maximum earned vacation after 21 years of service is 2 days per month (192 hours per year). Section 12.8.4 of the contract states, "Vacation must be taken by the end of the following fiscal year (ending June 30) except that if the unit member is not permitted to take full annual vacation, the amount not taken shall be paid for in cash." According to the terms of the contract, no employee should have an accrued vacation balance greater than 384 hours.

As of June 30, 2022, district records identified 760 employees with accrued vacation balances, 32 of whom have accrued more than 192 hours. Of those 32 employees, three have balances that exceed the classified employee bargaining agreement vacation accrual balance limit of 384 hours. (One of those three employees has a balance greater than 600 hours.)

		Yes	No	N/A
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?.	☐	✓	☐

The district's noncharter enrollment peaked at 21,007 in 2018-19. Enrollment has since dropped annually.

Year	Enrollment
2018-19	21,007
2019-20	20,873
2020-21	19,767
2021-22	19,622

Source: DataQuest - 2021-22 Enrollment Multi-Year Summary for Charter and Non-Charter Schools (dq.cde.ca.gov).

		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 (P2)?	✓	☐	☐

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

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?	✓	☐	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds 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 in accordance with the Office of Public School Construction's loading standards?	☐	✓	☐
	As a result of declining enrollment, the district has excess capacity in the schools for students in grades TK-8. However, the district's reports indicate the schools serving grades 9-12 are over facility capacity.			
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
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?	✓	☐	☐

		Yes	No	N/A
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?	✓	☐	☐
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
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 percentage for unified districts was 90% for general fund unrestricted expenditure budget that is allocated to salaries and benefits for 2020-21 (the most recent data). The district exceeded the statewide average percentage at 92.65% according to the 2021-22 second interim report.			
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 statewide average percentage for unified school districts was 90% in 2020-21 and 88% for 2019-20 for general fund unrestricted expenditure budget that is allocated to salaries and benefits. The district's unaudited actuals showed that the percentage allocated to salaries and benefits exceeded the statewide average percentage in both years at 92.5% in 2020-21 and 92.33% in 2019-20.			
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?	✓	☐	☐
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?	☐	✓	☐
	The district is not accounting for the maximum allowable indirect costs related to most special education programs.			

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	☐	✓	☐
	PeopleSoft, the district's financial and human resources software, has both financial and human resources modules that run separately and do not interface directly. The district uses these modules to the fullest extent; however, absent an integrated system, the district must use ad hoc spreadsheets to maintain position control.			

		Yes	No	N/A
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?	☐	✓	☐
	Because the PeopleSoft software's human resources module is not fully integrated with the financial module, the district must use ad hoc spreadsheets to collect the data necessary for planning and decision making.			
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	✓	☐	☐
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education, is there an automated interface with the financial system used by the county office of education?	☐	☐	✓
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?	☐	☐	✓

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?	✓	☐	☐
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	✓	☐	☐
	• Payroll	✓	☐	☐
	• Human resources (i.e., duties relative to position control and payroll processes)	✓	☐	☐
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 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 implemented a worker's compensation fraud tip process and states it will proceed with implementing additional fraud reporting procedures.			
15.9	Does the district have an internal audit process?	☐	✓	☐
	The district has no internal auditor or internal audit process.			

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 current CBO has served the district since September 2021. Organizational charts for years 2019-20, 2020-21 and 2021-22 indicate three different CBOs served the district in those years.			
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years?	☐	✓	☐
	The current superintendent has served the district since July 2021. Board meeting minutes indicate that four different superintendents (including one acting and one interim) have served the district since 2018.			
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?	☐	✓	☐
	Interviews indicated that district administrators are not provided with routine budget training and are not included in the budget development and/or budget management processes. According to interviews, training occurs on an as-needed, case-by-case basis.			
16.5	Does the governing board adopt and revise policies and administrative regulations annually?	☐	✓	☐
	A review of board agendas for the past three years indicates that the governing board has adopted and revised select policies and administrative regulations. However, FCMAT found policies and administrative regulations with no records of reviews or updates. This includes Board Policy 5116.1, last reviewed on 12/12/17, which must be reviewed annually as stated in the policy and outlined in Education Codes 35160.5 and 48980.			
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?	✓	☐	☐
17.3	Does the district use its most current multiyear projection in making financial decisions?	✓	☐	☐
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?	✓	☐	☐

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?	☐	☐	✓
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?	☐	✓	☐

Position control is carried out using ad hoc spreadsheets that are not verified as complete, current or accurate. The district states that the position control for certificated staff is somewhat established, but the position control for classified staff needs work.

The district provided evidence of their efforts to implement a comprehensive and effective position control system.

		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 reporting periods?	☐	✓	☐

The district's budget adoption and interim reports are in alignment with the budgeted and actual expenditures, indicating the reconciliation of budget and payroll. However, the district has not fully implemented position control.

		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?	☐	✓	☐

The district does not have a policy regarding the authorization of new positions. The current procedure indicates that hiring is authorized by the district's cabinet and subsequently ratified by the board.

		Yes	No	N/A
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?.	✓	☐	☐

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)? . . . . ☐ ✓ ☐

Indirect costs are not charged consistently to most special education programs. The district could charge approximately $1.5 million in indirect costs for 2021-22.

20.5 Is the district's contribution rate to special education at or below the statewide average contribution rate? . . . . ☐ ✓ ☐

In 2021-22, local expenditures and contributions for special education covered 70.43% of the total cost of the special education program. The statewide average was 67.17% during this same period.

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 2018-19 identification rate is 13.72%, which is higher than the countywide rate of 12.96% and statewide rate of 12.85% for the same period.

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

The district's practice has been to analyze the special education maintenance of effort (MOE) annually. The district plans to analyze the MOE at the second interim reporting period and at year end close.

Risk Score, 20 numbered sections only: **22.3%**

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.)