FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

October 30, 2020

San Ysidro Elementary School District

Michael H. Fine
Chief Executive Officer

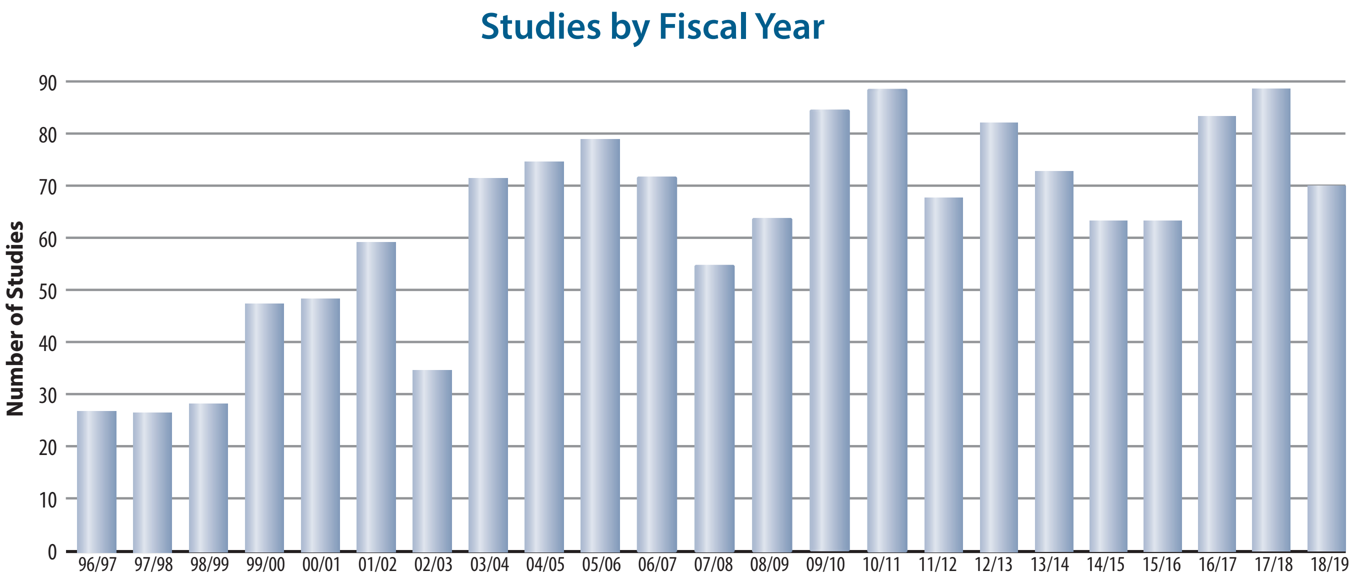
Contents

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

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

Introduction

Background

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

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

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

This fiscal health risk analysis is being conducted because the district had three consecutive qualified interim report certifications, under which an analysis is required by the 2018-19 State Budget Act.

Located in San Diego County, the San Ysidro Elementary School District has a five-member governing board and serves approximately 4,475 students at five elementary and two middle schools. According to data from the California Department of Education (CDE), student enrollment peaked at 5,252 students in 2011-12 and has decreased in each year but one since that time. The district's California Longitudinal Pupil Achievement Data System (CALPADS) records show that the unduplicated pupil percentage, which includes those students who qualify for free and reduced-price meals, English learners and foster youth, is 84.73%.

The district's 2017-18 and 2018-19 unaudited actuals reports show deficit spending of $7.5 million and $4.2 million, respectively, in the unrestricted general fund. The 2019-20 second interim report, which was the catalyst for this FHRA, shows that the district will avoid deficit spending in the unrestricted general fund in 2019-20 but projects deficits of $655,479 in 2020-21 and $261,735 in 2021-22. If not corrected, the district projects it will have an unrestricted general fund ending balance of $273,753 in 2021-22. The district's first and second interim reports for 2018-19 and 2019-20 were all certified as qualified.

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 Ysidro Elementary School District in May 2020. Due to the impact of COVID-19, the study team conducted interviews by video conference rather than in person on June 17 and July 7-9, 2020. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

Diane Branham
FCMAT Chief Analyst

Julie Auvil, CPA, CGMA, CICA
FCMAT Intervention Specialist

Laura Haywood
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

Date(s) of fieldwork: June 17 and July 7-9, 2020

District: San Ysidro Elementary School District

Summary

The governing board is ultimately responsible for the district's budget. Management is responsible for providing accurate financial information based on current, reliable data so the board can make sound decisions.

Since 2017-18 the San Diego County Office of Education's oversight letters have cautioned the district about several areas of concern, including deficit spending, underbudgeting, declining unrestricted general fund ending balance, and declining enrollment. In addition, the 2018-19 audit report included a material weakness finding regarding the district's failure to meet the 3% minimum reserve requirement.

The board approved a 2019-2020 Spending Reduction Plan in February 2019 and a 2020-2021 Budget Reduction Plan in January 2020. Although the district has significantly reduced deficit spending in the unrestricted general fund from $7.5 million in 2017-18 to a projected $261,735 in 2021-22, as of the 2019-20 second interim report, the plans had not reduced or eliminated deficit spending by an amount sufficient to restore the minimum required reserve.

Contributing to the district's fiscal distress are the annual debt service payments from the general fund for prior facilities projects as well as annual payments to the state for the overstatement of average daily attendance (ADA) in 2015-16. In March 2020 the district passed two general obligation bonds. Staff indicated that the specific purpose of one of the bond measures is to pay off the facilities debt and that the district planned to issue the bonds in September 2020.

The fiscal health risk analysis shows the district is at High Risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to the district's fiscal distress. Of significant concern is the loss of revenue due to the year-over-year enrollment decline, which the district projects will continue into the subsequent fiscal years. In response to declining enrollment, districts must make reductions in staffing and other operating expenses to compensate for the loss of revenue. Also of significant concern is the erosion of the unrestricted general fund ending balance because of ongoing deficit spending. The 2019-20 second interim report shows a projected unrestricted general fund ending balance of $273,753 in 2021-22 and indicates that the district will not be able to meet the 3% reserve requirement in 2019-20, 2020-21, and 2021-22.

The 2019-20 second interim cash flow report included $12 million in temporary transfers of funds from the county treasurer as well as $809,305 in loans from the district's other funds. After repayment to the county treasurer, the cash flow report shows a projected ending cash balance of $0 in June 2020. If the district does not increase revenue and/or decrease expenses, and if it continues to spend more than it receives, it will deplete its cash resources and become fiscally insolvent.

Within the first few months of 2020, the COVID-19 pandemic caused severe negative impacts on economies throughout the world. The 2020-21 state budget included suspension of the cost-of-living adjustment (COLA) and significant state apportionment cash deferrals. Given the uncertainties of the pandemic, the continuing changes being made to address it, and resulting ongoing economic impacts, local educational agencies (LEAs) must be prepared for possible additional financial challenges. Some one-time state and federal COVID-19 relief funds are being provided to LEAs in 2020-21; however, the district should ensure that these one-time funds are not used for ongoing costs. Districts that maintained healthy financial reserves and cash balances and proactively managed budget adjustments and reductions prior to the economic downturn will be in a better position to weather the economic crisis. Districts such as San Ysidro, with minimal reserves and/or cash balances, may be forced to make more drastic cuts to remain fiscally solvent.

The district's significant risk factors include, but are not limited to, declining enrollment, deficit spending, erosion of the unrestricted general fund balance, inadequate reserves, and inadequate cash. These factors require significant focus on budget development and monitoring functions to ensure accuracy of the budget, multiyear financial projections, and cash flow projections. These risk factors will also require the governing board and administration to continue to make and implement difficult decisions to ensure that the district remains fiscally solvent. Failure to act quickly and decisively may result in fiscal insolvency; the consequences of becoming insolvent are severe and result in the loss of local control and governance.

District Fiscal Solvency Risk Level: High

About the Analysis

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

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

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

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

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

Areas of High Risk

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

Budget and Fiscal Status: Is district currently *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	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation?	☐	☐	✓
5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓
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	0.4%
2.	Budget Development and Adoption	3.3%
3.	Budget Monitoring and Updates	7.4%
4.	Cash Management	7.6%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.9%
7.	Contributions and Transfers	2.9%
8.	Deficit Spending (Unrestricted General Fund)	2.0%
9.	Employee Benefits	0.6%
10.	Enrollment and Attendance	2.5%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	3.9%
13.	General Fund - Current Year	2.2%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	7.2%
16.	Leadership and Stability	2.2%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	2.2%
19.	Position Control	1.6%
20.	Special Education	1.4%
Score		**53.4%**

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?	☐	✓	☐

The district's 2016-17 audit report included 10 findings; two of these findings contained questioned costs that totaled $139,026, thereby affecting the district's fiscal health. The 2017-18 audit report included six findings; none of these findings contained questioned costs. The 2018-19 audit included three findings; none of these findings contained questioned costs. However, two of the 2018-19 findings have been repeated in each audit since 2016-17, and the district was in the process of implementing corrective actions to resolve them at the time of FCMAT's fieldwork.

		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? (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?	☐	✓	☐

The district's most recent and prior two audit reports each contained one or more material weaknesses. The most recent report (2018-19) included the following statements regarding the material weakness finding:

> *At fiscal year end, the District reported available reserves in the General Fund of 1.6% as reported in the Schedule of Financial Trends and Analysis which is below the required 3% reserve balance as recommended by the California Department of Education for the size of this District. Expenditures exceeded revenues by $8.1 million in 2018-19 resulting in the available reserves declining from 6.9% to 1.6% for fiscal year 2018-19.*
>
> *The District is at risk of being a going concern and having available sufficient cash reserves for future periods based on current trends. Insufficient general fund reserves could have a severe and immediate impact on cash flows and daily operations if not rectified and brought to the required state approved reserve balances immediately.*
>
> *The District sustained expenditures in excess of revenues of $8.1 million primarily due to a repayment of overstated state apportionment received from prior years in the amount of $3.9 million, an additional reduction in EPA funds of $1.8 million, and additional current operating expenditures in excess of $4.2 million over the prior year.*

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

Interviews and district documents indicated that the district was in the process of implementing corrective actions to resolve the three 2018-19 audit findings at the time of FCMAT's fieldwork. Two of these findings have been repeated in each audit since 2016-17.

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 2019-20 budget documents include a PowerPoint presentation that contains assumptions used to develop the budget. However, the presentation provided to the board does not include the assumptions used to develop the multiyear projections.

The district's 2019-20 Adopted Budget Multi-Year Projection Assumptions Sheet includes numerous assumptions that align with industry standards. However, some of the assumptions do not appear to be the most current information available at that time; for example, the State Teachers' Retirement System (STRS) rates used for 2020-21 and 2021-22 as well as the projection of flat ADA in 2021-22 (even though enrollment had declined in each of the prior three years and was projected to continue to decline).

		Yes	No	N/A
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?	✓	☐	☐
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?	☐	✓	☐

The September 17, 2019 letter from the county office indicates that the county superintendent conditionally approved the district's 2019-20 budget.

		Yes	No	N/A
2.6	Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	✓	☐	☐
2.7	Does the district budget and expend restricted funds before unrestricted funds?	☐	✓	☐

The Consolidated Application 2018-19 Fiscal Year Expenditure Report, 12 Months shows that some programs had significant unspent balances; e.g., $138,548 in Title II and $315,011 in Title III. In addition, the 2018-19 unaudited actuals report shows a total ending balance of $1,523,582 in various restricted resources.

		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?	✓	☐	☐

		Yes	No	N/A
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?	☐	✓	☐

The Revised Budget Summary Report (dated June 15, 2020) shows that the district uses some contra expenditure accounts when developing its estimated actuals. Interviews also indicated that contra expenditure accounts are used minimally throughout the year for items such as projected energy cost savings.

		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?	✓	☐	☐
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 has developed a budget calendar that includes numerous tasks; however, it does not include all the major budget development tasks such as enrollment and staffing projections and the department or person responsible for completing each task. The budget calendar does not include the deadlines and tasks relative to each interim reporting period.

3. Budget Monitoring and Updates

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

The Revised Budget Summary Report (dated June 15, 2020) shows numerous account lines with negative balances, which indicates that these accounts are not consistent with the current budget. In addition, the 2018-19 audit report indicates that general fund expenditures exceeded appropriations in six major object code categories.

		Yes	No	N/A
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?	☐	✓	☐

Based on the documents provided to FCMAT, the district does not provide the board clearly written and articulated budget assumptions that support budget revisions with each interim report. The PowerPoint presentations for the 2019-20 interim reports appear to include some but not all of the assumptions used to develop the interim reports.

		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?	☐	✓	☐

Interviews indicated that budget revisions are made following approval of collective bargaining agreements. However, the 2018-19 audit report states the following regarding expenditures that exceeded appropriations for certificated salaries, classified salaries, and employee benefits: "The District underestimated the increase from bargaining agreement increases."

		Yes	No	N/A
3.5	Do the district's responses fully explain the variances identified in the criteria and standards?	☐	✓	☐

The 2019-20 second interim report does not include complete responses for criterion number six and criterion number eight.

		Yes	No	N/A
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?	☐	✓	☐

As noted in the 2019-20 county office letters, and as of the second interim reporting period, the district had not eliminated its projected operating deficits in the unrestricted general fund, and the projected unrestricted ending fund balance for the budget and two subsequent fiscal years was less than the state's 3% minimum reserve requirement. The April 15, 2020 letter from the county office states, "While the governing board approved budget reductions for 2019-20, the district anticipates additional solutions are necessary to restore the reserve in future years."

The 2019-20 county office letters indicate a concern with the balances in the district's suspense accounts and state that these accounts should be cleared every month. At the time of FCMAT's fieldwork, district staff indicated they were working to resolve this issue.

		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?	☐	✓	☐

The Revised Budget Summary Report (dated June 15, 2020) shows numerous account lines with negative balances. Interviews indicated that the financial software system provides a warning, rather than a hard stop, to the user when a requisition is entered against an account that has an insufficient budget. District staff indicated that the CBO and/or accounting supervisor are the final approvers for each purchase requisition and they verify that the total site or department budget, rather than the applicable account line, has sufficient funds prior to approval. However, this is not a best practice.

		Yes	No	N/A
3.8	Does the district encumber and adjust encumbrances for salaries and benefits?	✓	☐	☐
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	☐	✓	☐

Interviews with county office staff indicated that some accruals from 2018-19 and 2019-20 had not yet been reconciled and cleared as of the 2019-20 second interim reporting period, and that they have since worked with the district to resolve this issue.

		Yes	No	N/A
3.10	Have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?	☐	✓	☐

Although the 2018-19 unaudited actuals report was adopted by the board within the timeline established in Education Code Section 42100, interviews with county office staff indicated that the district did not submit the closing checklist and unaudited actuals report to the county office in time for them to be reviewed before the report was submitted to the district's board. The September 17, 2019 county office letter indicates that some items needed to be resolved (e.g., cafeteria fund negative ending balance); therefore, the district was required to revise its 2018-19 unaudited actuals. The revised unaudited actuals report was adopted by the board on October 10, 2019.

The 2019-20 first interim report was approved by the board on December 19, 2019. Per Education Code Section 42130, the report should have been approved by December 16, 2019. District staff indicated they worked with the county office of education regarding late submittal of the first interim report to coincide with the regular board meeting calendar.

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?	✓	☐	☐

		Yes	No	N/A
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	☐	✓	☐
	The documentation provided does not show that accounts for cash with fiscal agents are reconciled monthly, and two of the June 30, 2019 statement balances listed on the district spreadsheet do not match the amounts on the 2019-20 general ledger report provided to FCMAT. In addition, the documents provided indicate that a second party reviews some, but not all, of the reconciliations for each of the district's bank accounts.			
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 documents provided show that the district completes a cash flow projection for the current year but does not complete a projection for 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?	☐	✓	☐
	The 2019-20 second interim cash flow report shows a projected ending cash balance of $0 in June 2020. The cash flow report includes temporary transfers of funds from the county treasurer totaling $12 million that was to be repaid by April 30, 2020. The cash flow report also includes $809,305 in temporary loans from other funds, but it does not show repayment of these loans in 2019-20. A cash flow report was not provided for the subsequent year, so it is unknown if the district is projecting insufficient cash flow in 2020-21 and, if so, if there is a reasonable plan to address those cash flow needs.			
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	☐	✓	☐
	Interviews indicated that the cafeteria and child development funds have required loans due to insufficient cash resources.			
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.	☐	✓	☐
	The general fund borrowed $441,000 from the capital facilities fund on August 17, 2019, and based on the documents provided to FCMAT, the loan was repaid on June 30, 2020. However, on that same day the general fund borrowed $1.75 million from the capital facilities fund. Borrowing funds on the same day another loan is paid back is not a best practice and indicates a risk of insolvency.			
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	Are all charters authorized by the district going concerns?	☐	☐	✓
5.2	If the district has any charters in fiscal distress, has the district performed its statutory fiscal and operational oversight functions, including formal communication to the charter, such as notices of violation?	☐	☐	✓
5.3	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓
5.4	Does the district have a board policy or other written document(s) regarding charter oversight?.	✓	☐	☐

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

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?	☐	✓	☐

The district's June 6, 2019 AB 1200 disclosure for the San Ysidro Employees Association (SYEA) reflects a two student increase in class sizes for TK-K and a one student decrease in grades 1-3. Additional students above negotiated class sizes require the district to pay the affected teacher $10 per student per day. The district did not quantify the effect of this change nor state on its AB 1200 disclosure that it anticipated any cost relative to this negotiated change.

		Yes	No	N/A
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 at or under the funded cost of living adjustment (COLA)?	☐	✓	☐

The 2017-18 statutory COLA was 1.56%. The disclosure documentation for both bargaining units shows a 2% one-time, off-schedule payment.

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

The June 6, 2019 AB 1200 disclosure for the SYEA tentative agreement was signed by the superintendent on the same day as the board meeting approving it. The CBO signed this disclosure four days after the board meeting. The March 12, 2020 AB 1200 disclosure for the California School Employees Association (CSEA) tentative agreement was signed by the superintendent and CBO three days prior to the board meeting where it was approved. Both of these tentative settlements had letters from the county office dated the same day as the board meetings where they were approved. Further, the county's March 12, 2020 letter requested a signed copy of the certification. These timelines call into question whether the district provided the county office the required 10 working days to review and comment on the proposed settlements.

		Yes	No	N/A
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?.	☐	✓	☐

The AB 1200 disclosure provided to FCMAT regarding the district's September 14, 2017 settlement with CSEA did not include a signature page. The SYEA tentative agreement disclosure taken to the board on June 6, 2019 was signed by the CBO on June 10, 2019, four days after the board meeting.

		Yes	No	N/A
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 does not have a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.

		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 any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	✓	☐

The district has experienced deficit spending in the cafeteria fund in 2017-18 of $511,443 and in 2018-19 of $406,549. The 2019-20 second interim report projected deficit spending of $204,773 in 2019-20. A contribution from the unrestricted general fund was required in 2017-18 and 2018-19, and a contribution was projected for 2019-20 at the second interim reporting period. However, the multiyear financial projections did not include a contribution to the cafeteria fund in either of the two subsequent fiscal years.

		Yes	No	N/A
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?	☐	✓	☐

The 2017-18 and 2018-19 Special Education Maintenance of Effort reports show that the district's costs for special education increased by approximately 24% ($2.28 million) year over year. However, the 2019-20 second interim report included a 13% reduction in total contributions from the unrestricted general fund to restricted resources compared to the 2018-19 unaudited actuals. In addition, the multiyear financial projections did not include increased contributions in either of the two subsequent fiscal years. District staff indicated that approximately $415,000 in salary and benefit costs for positions that should have been split funded were moved from special education to the unrestricted general fund in 2019-20. However, it appears that this change was not sufficient to support the amount of the reduced contribution included in the second interim report.

8. Deficit Spending (Unrestricted General Fund)

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

The 2019-20 second interim report projected deficit spending of $655,479 in 2020-21 and $261,735 in 2021-22.

		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?	☐	✓	☐

On February 21, 2019 the board approved a 2019-2020 Spending Reduction Plan; however, as of the 2019-20 second interim report, implementation of the plan had not reduced or eliminated deficit spending by an amount sufficient to restore the minimum required reserve.

On January 23, 2020 the board approved a 2020-2021 Budget Reduction Plan, and at the time of FCMAT's fieldwork, interviews indicated the district was in the process of implementing the plan.

		Yes	No	N/A
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?	☐	✓	☐

Article 11 of the CSEA bargaining agreement allows employees to carry over "a maximum of one (1) year's vacation entitlement beyond July 1 of each year." Annual vacation entitlements range from 12 to 20 days depending on the number of months worked and years of service. The district's Aesop system reported 23 classified bargaining unit members with vacation balances ranging from 20 to 40 days as of June 1, 2020. The district provided evidence that an agreement was reached with CSEA in August 2020 regarding vacation balances; however, this was done subsequent to the time period covered by this report.

		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?.	☐	✓	☐

According to the information available via DataQuest, the district's enrollment has declined from 4,733 in 2017-18 to 4,475 in 2019-20.

		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?	☐	✓	☐

While the district provided a spreadsheet that shows ADA and enrollment from 2015-16 through 2019-20, the numbers in that spreadsheet do not conform to those shown in the 2019-20 second interim report's criteria and standards. This spreadsheet does not show that it is used to establish future trends since the line for the next subsequent year (2020-21) is blank. The district provided an additional spreadsheet that shows historical information is used to determine enrollment, but it does not show that historical information is used to establish ADA.

		Yes	No	N/A
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	☐	✓	☐

The district did not provide evidence of its maintenance of accurate daily enrollment and attendance that is reconciled monthly at the site and district levels, such as site level weekly attendance reports that balance with the monthly reports from those same sites.

		Yes	No	N/A
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?.	✓	☐	☐

		Yes	No	N/A
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?	☐	✓	☐

The district has excess capacity in its facilities because of declining enrollment. The district provided a document that shows total capacity of 6,224. Per DataQuest, the enrollment for 2019-20 was 4,475.

		Yes	No	N/A
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	☐	✓	☐

The district's budget for facilities is completely based on the required contribution to RRMA less an amount held back for district-wide needs.

		Yes	No	N/A
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	☐	✓	☐

The district's facilities inspection reports for 2018-19 and 2019-20 identified that no extreme deficiencies existed. All of the district's sites inspected in 2019-20 received a lower score as compared to the prior year. While CDE did not provide FCMAT a definitive answer regarding whether daycare/preschool facilities are subject to Williams Act inspections, the district completed one for the Smythe Child Development Center in 2019-20 but did not perform one in 2018-19.

		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 long-range facilities master plan that reflects its current and projected facility needs?.	☐	✓	☐

The most current facilities master plan was completed in 2007. Recognizing a need to update the plan, the district has contracted with WLC Architects to author a new facilities master plan.

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?	☐	✓	☐
	The 2019-20 second interim report projected available reserves of 1.83%, rather than the 3% minimum required reserve.			
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☐	✓	☐
	The 2019-20 second interim report projected available reserves of 0.83% in 2020-21 and 0.37% in 2021-22, rather than the 3% minimum required reserve.			
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?	☐	✓	☐
	On February 21, 2019 the board approved a 2019-2020 Spending Reduction Plan; however, as of the 2019-20 second interim report, implementation of the plan had not reduced or eliminated deficit spending by an amount sufficient to restore the minimum required reserve. *On January 23, 2020 the board approved a 2020-2021 Budget Reduction Plan, and at the time of FCMAT's fieldwork, interviews indicated the district was in the process of implementing the plan.*			
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	☐	✓	☐
	The 2019-20 second interim report projected an unrestricted ending fund balance of $1,190,967 in 2019-20, $535,488 in 2020-21, and $273,753 in 2021-22.			
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?	☐	✓	☐
	The district's prior and projected years of deficit spending indicate that it has used one-time resources (such as the fund balance) to 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 district's 2019-20 second interim unrestricted general fund salaries and benefits were 88.16% of the expense budget. The statewide average for elementary school districts as of 2018-19 (the latest data available) was 87%.			
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?	✓	☐	☐
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?	✓	☐	☐

		Yes	No	N/A
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 does not charge the full allowable indirect cost rate to all its restricted resources and other funds. The district should charge the maximum allowable indirect costs to all restricted programs and funds, including special education programs and routine restricted maintenance, to reflect the true costs of these programs.

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	✓	☐	☐
14.2	Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	☐	☐
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	✓	☐	☐
14.4	Is the district using the same financial system as its county office of education?	✓	☐	☐
14.5	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	☐	☐	✓
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?	☐	✓	☐

District staff indicated that procedures have been implemented to require administrator approval for access to the financial system. However, the documentation provided shows that some staff members have system access that does not provide for proper internal control and separation of duties. For example, some employees have access to change vendor information and process vendor payments and some have access to input employee demographic information and process payroll.

		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?	☐	✓	☐

Although financial system access and authorization controls are updated upon employment actions, no information was provided to show that the financial system access lists are reviewed 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 payable batches are not reviewed by a supervisory employee before they are submitted to the county office for further processing. Best practice is for a supervisory employee to review all accounts payable transactions and the warrant prelist before the batch is submitted to the county office.

Accounts payable warrants are printed at the county office and sent to the district where they are received and distributed by the staff member who processed them. To provide better segregation of duties, the individual responsible for generating accounts payable warrants should not have access to them after they are printed.

- Accounts receivable (AR) . . . . . ✓ ☐ ☐
- Purchasing and contracts. . . . . ✓ ☐ ☐
- Payroll . . . . . ☐ ✓ ☐

Payroll warrants are printed at the county office and are picked up and distributed by the staff member who processed them. To provide better segregation of duties, the individual responsible for generating payroll warrants should not have access to them after they are printed.

- Human resources (i.e., duties relative to position control and payroll processes) . . . . . ☐ ✓ ☐

Interviews indicated that a Human Resources Department staff member has access to change payroll screens in the financial software system. To provide for proper internal control, human resources staff should have view-only access to payroll screens.

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? . . . . . ☐ ✓ ☐

Although the district works to clear prior year accruals, interviews with county office staff indicated that some of the accruals from 2018-19 and 2019-20 had not yet been reconciled and cleared as of the 2019-20 second interim reporting period.

15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? . . . . . ☐ ✓ ☐

Although the 2018-19 unaudited actuals report was adopted by the board within the timeline established in Education Code Section 42100, interviews with county office staff indicated that the district did not submit the closing checklist and unaudited actuals report to the county office in time for them to be reviewed before the report was submitted to the district's board. The September 17, 2019 county office letter indicates that some items needed to be resolved (e.g., cafeteria fund negative ending balance); therefore, the district was required to revise its 2018-19 unaudited actuals. The revised unaudited actuals report was adopted by the board on October 10, 2019.

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? . . . . . ☐ ✓ ☐

Board Policy 3400 and Administrative Regulation 3400, Management of District Assets/Accounts, describe the procedures for reporting and investigating fraud. The policy states, "…the Superintendent or designee shall establish a method for employees and outside persons to anonymously report any suspected instances of fraud, impropriety, or irregularity." At the time of FCMAT's fieldwork, the district had not implemented a method for anonymous reporting. District staff indicated they contacted a vendor during FCMAT's fieldwork to begin the implementation process for this service.

		Yes	No	N/A
15.9	Does the district have an internal audit process?	☐	✓	☐
	Some business office positions are assigned to oversee various financial functions; however, the district does not have a formal 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?.	☐	✓	☐
	At the time of FCMAT's fieldwork, the chief business official had been with the district approximately one year and 11.5 months.			
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years?	✓	☐	☐
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?	✓	☐	☐
16.5	Does the governing board adopt and revise policies and administrative regulations annually?	☐	✓	☐
	The district uses the California School Boards Association (CSBA) to update its board policies and administrative regulations and updated all of its BPs and ARs en masse in May-July 2019; these were formally adopted in January 2020. Since then, the governing board meeting agendas have included first and second readings of BPs/ARs in June and July 2020. District documents also show that eight board policies/administrative regulations were revised from January through August 2018; however, the information provided does not indicate an annual review process.			
16.6	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?	☐	✓	☐
	Interviews indicated that the district lacks a process to effectively communicate newly adopted or revised policies and administrative regulations to ensure all employees always receive this information.			
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?	☐	✓	☐
	The district's 2019-20 Adopted Budget Multi-Year Projection Assumptions Sheet includes numerous assumptions that align with industry standards. However, some of the assumptions do not appear to be the most current information available at that time; for example, the State Teachers' Retirement System (STRS) rates used for 2020-21 and 2021-22 as well as the projection of flat ADA in 2021-22 (even though enrollment had declined in each of the prior three years and was projected to continue to decline). A multiyear assumptions document was not provided for the 2019-20 second interim report.			
17.2	To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?	✓	☐	☐

		Yes	No	N/A
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?	☐	✓	☐

The 2019-20 second interim report included an adjustment on line B1d for 2020-21 and 2021-22. An explanation is provided on Form MYPI for the 2020-21 adjustment, but no explanation appears to be provided for the 2021-22 adjustment.

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?	☐	✓	☐

The district is currently servicing its $14 million COPs debt from the general fund. However, the district recently passed a total of $108 million in two general obligation (GO) bond measures. Interviews indicated that the specific purpose of one of these measures is to retire the COPs debt in total and that the district plans to issue the bonds in September 2020.

		Yes	No	N/A
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?	☐	✓	☐

In September 2019, Moody's downgraded the district's COPs from A3 to Baa1 and GO bonds from A1 to A2.

In December 2017, S&P Global Ratings lowered the district's GO bond rating from A- to BBB+.

		Yes	No	N/A
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?	☐	✓	☐

The district's non-voter-approved debt payments total $1,207,260 in 2019-20, which is 2.44% of its unrestricted general fund revenues.

19. Position Control

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

Documentation shows the use of a position control system; however, interviews did not indicate the use of an established, documented process to reconcile the position control system with budget and payroll.

		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?	✓	☐	☐

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?. . . . . ☐ ✓ ☐

The district's human resources, payroll and budget staff do not 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)? . . . . ☐ ✓ ☐

Interviews with district staff indicated they were unsure if the special education local plan area (SELPA) had excess cost pools to access, and FCMAT's telephone calls to the SELPA to determine if excess cost pools exist were not returned.

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)? . . . . ☐ ✓ ☐

The district has not charged the special education program, excluding special education mental health services, indirect costs for the last three fiscal years, which understates the true cost of special education.

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

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

The district's 2019-20 identification rate is 12.04%, which is below the countywide rate of 12.61% but above the statewide average rate of 11.70%.

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

District staff indicated that this analysis is only performed at year end.

Risk Score, 20 numbered sections only: 53.4%

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.)