



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

August 23, 2023



Stockton Unified School District

Michael H. Fine
Chief Executive Officer

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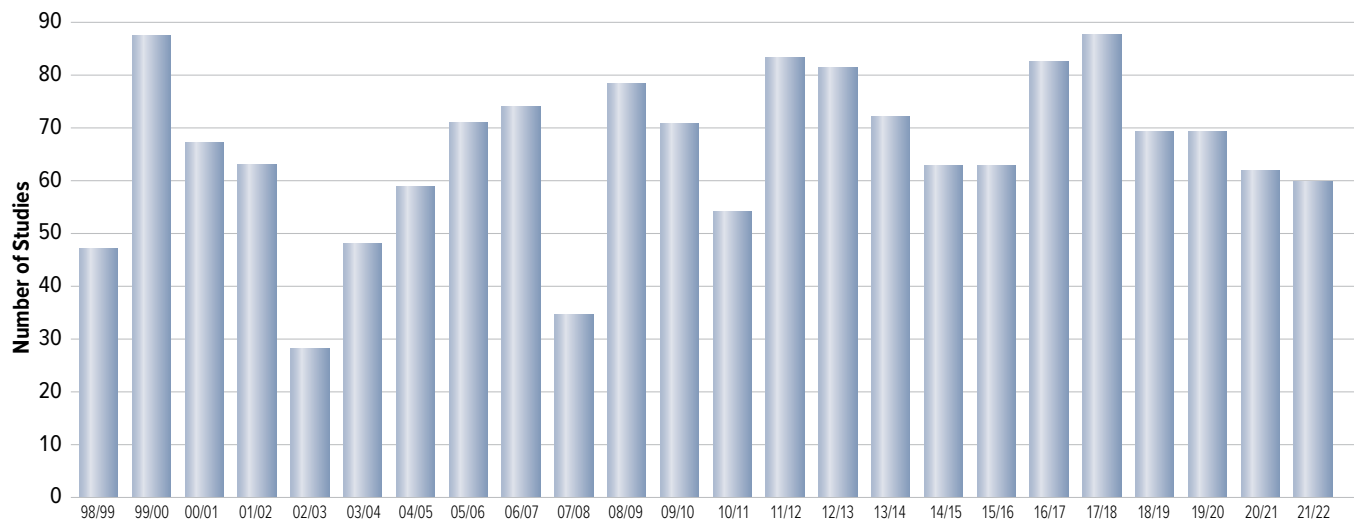
About FCMAT

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

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

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

Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of TK-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 Stockton Unified School District had the following condition, under which an analysis is required by the 2018-19 State Budget Act.

- "Lack of going concern" designation

On October 20, 2022, the San Joaquin County Office of Education declared the Stockton Unified School District a lack of going concern, in accordance with the provisions of Education Code (EC) 42127.6. The county office based the declaration on the following:

- Unreliable budget development, with the district's 2022-23 adopted budget having been conditionally approved.
- Insufficient budget monitoring and updates.
- Inadequate cash management.
- Mismanaged collective bargaining agreements.
- Inattention to enrollment and attendance reporting.
- Ineffective internal controls and fraud prevention.
- Breakdown in leadership and communication.
- Other related areas of concern.

Among the actions required by the county superintendent of schools as a result of the lack of going concern designation was a fiscal health risk analysis to be conducted by FCMAT.

Located in San Joaquin County, the Stockton Unified School District has a seven-member governing board and serves approximately 34,000 students in transitional kindergarten (TK) through grade 12 at 49 traditional schools. The district has also authorized five district-operated charter schools and 13 independent charter schools, bringing total district enrollment to almost 40,000. According to data from the California Department of Education (CDE), noncharter student enrollment peaked at 35,258 in 2017-18 and remained stable until 2020-21, when enrollment decreased to 33,943 during the COVID-19 pandemic. The district's 2021-22 noncharter enrollment was 34,024. The district's California Longitudinal Pupil Achievement Data System (CALPADS) records indicate that its noncharter 2021-22 count of unduplicated pupils (students who qualify for free or reduced-price meals, and/or are foster youth, and/or are English learners) was 28,817, or 84.70% of noncharter enrollment.

The district's overall ending fund balance, including both unrestricted and restricted funds, has been increasing since 2019-20; however, the district's 2022-23 second interim report projects that it will begin deficit spending in 2024-25. Although the district's 2022-23 second interim report did not project deficit spending in the unrestricted general fund in the current year, the district had unrestricted deficit spending in three of the five prior years.

The district is able to meet the 3% reserve for economic uncertainties in all years of the latest multiyear projection, and it has committed an additional reserve of approximately 7% in its 2022-23 second interim report. Notably, expenditures in Fund 09 – Charter Schools Special Reserve Fund are projected to increase significantly in the current year, from \$21.8 million in 2021-22 to \$64.1 million in 2022-23, requiring support from the unrestricted general fund in 2023-24 and beyond.

The district is on a financial system independent from that of the San Joaquin County Office of Education and is implementing a new financial system, Escape, which will also be independent. The county office lacks the ability to view or remotely access the district's financial system for AB 1200 oversight.

FCMAT performed a fiscal health risk analysis, primarily using the district's 2022-23 second interim report, to determine the district's level of risk for insolvency.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Stockton Unified School District on March 1, 2023, and a FCMAT study team visited the district on April 10-12, 2023 to conduct interviews, collect data and review documents. Additional interviews were conducted remotely after FCMAT's on-site fieldwork. Following fieldwork, the FCMAT 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:

Jeffrey B. Potter
FCMAT Intervention Specialist

Marcus Wirowek
FCMAT Intervention Specialist

John Lotze
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: April 10-12, 2023

District: Stockton Unified School District

Summary

The Stockton Unified School District has had multiple changes recently in key management positions. In April 2020, the superintendent resigned from the district, and in June 2020, the governing board appointed Brian Biedermann as the interim superintendent. That same month, the board also contracted with John Ramirez, Jr. to serve as a consultant to both the board and the interim superintendent from July 2020 through June 2021. When Biedermann stepped down in February 2021, the board appointed Ramirez as the successor interim superintendent. The governing board then appointed Ramirez superintendent in May 2021. Ramirez resigned as superintendent and was appointed superintendent emeritus by the governing board for a 12-month period beginning July 1, 2022.

When FCMAT conducted on-site fieldwork in April 2023, the district's interim superintendent was Traci Miller, Ed.D., who had been in the position approximately eight months. The district also began a search for a permanent superintendent during this time, which was its 14th search for a superintendent in the past 17 years.

During this same period, there were also multiple changes to the chief business official (CBO) position. In April 2020, the CBO resigned and the governing board appointed Susanne Montoya as interim CBO. In October 2020, the governing board appointed Montoya as CBO. In June 2021, Montoya retired from the district. The governing board named Marcus Battle as interim CBO in May 2021, and appointed him CBO in November 2021. Battle resigned in August 2022.

At the time of FCMAT's fieldwork, the district had an interim CBO, Joann Juarez, who started in the position in August 2022 following Battle's resignation. Approximately two weeks after FCMAT's fieldwork and approximately eight months into her tenure as interim CBO, Joann Juarez resigned her interim role to return to her former position as the district's budget manager. The resignation was effective July 1, 2023, though at the time of publication she has returned to the CBO position in an interim capacity.

At the time of FCMAT's fieldwork, most district leadership positions were occupied by a staff member acting in an interim capacity, or by an employee on a leave of absence, or were vacant. Most individuals serving in key leadership positions had been doing so for less than one year, resulting in a lack of institutional memory and knowledge throughout most functional areas.

This report identifies various signs of fiscal weakness and risks of insolvency. The main risk factors present at the district that typically cause fiscal distress include the following:

- Unstable district leadership, with many positions held by an interim or acting manager at the time of FCMAT's fieldwork.
- A lack of established, documented processes and procedures to ensure accurate and consistent financial reporting and multiyear projections.
- Limited consultation with department leaders and educational partners during budget development.
- A lack of regular and effective budget monitoring across all departments.
- The absence of timely reconciliations of cash and bank accounts, and the lack of a cash flow projection beyond the current fiscal year.
- An inability to effectively budget and monitor positions because of ongoing reconciliation of all position control data.
- Declining enrollment and the resulting decline in student attendance, which are the most significant drivers of district revenues.
- Insufficient or inaccurate analysis of proposed collective bargaining agreements.

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 the district currently <i>without</i> the following?:		Yes	No	
Disapproved budget		✓	<input type="checkbox"/>	
Negative interim report certification		✓	<input type="checkbox"/>	
Three consecutive qualified interim report certifications		✓	<input type="checkbox"/>	
Downgrade of an interim certification by the county superintendent		✓	<input type="checkbox"/>	
"Lack of going concern" designation		<input type="checkbox"/>	✓	
Material Weakness Questions		Yes	No	N/A
2.5	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	✓	<input type="checkbox"/>
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	<input type="checkbox"/>	✓	<input type="checkbox"/>

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

Score Breakdown by Section

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

1.	Annual Independent Audit Report	0.3%
2.	Budget Development and Adoption	3.5%
3.	Budget Monitoring and Updates	2.5%
4.	Cash Management	7.4%
5.	Charter Schools	0.3%
6.	Collective Bargaining Agreements	6.1%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	0.0%
9.	Employee Benefits	0.2%
10.	Enrollment and Attendance	4.5%
11.	Facilities	0.4%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	3.3%
14.	Information Systems and Data Management	2.7%
15.	Internal Controls and Fraud Prevention	5.1%
16.	Leadership and Stability	4.1%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	1.0%
19.	Position Control	3.5%
20.	Special Education	0.7%
<hr/> Score		48.6%

Fiscal Health Risk Analysis Questions

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

1. Annual Independent Audit Report	Yes	No	N/A
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.)	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><i>The audit report for fiscal year 2021-22 was dated March 15, 2023. This is after the statutory deadline of December 15, 2022. Although the State Controller’s Office provided an extension, interviews indicated the reasons for the delay were staffing shortages and an ongoing FCMAT AB 139 audit. The previous year’s audit report was also delayed and is dated April 15, 2022.</i></p>			
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><i>The district’s audit for the fiscal year ending June 30, 2022 contained the following material weakness findings:</i></p> <ul style="list-style-type: none"> • 2022-001 – Material Weakness – Internal Control Over Financial Reporting <p><i>Material adjusting entries were necessary in funds 9, 21, 25 and 51, and bank reconciliations were not being performed on time, leading to material misstatements in cash balances.</i></p> <ul style="list-style-type: none"> • 2022-002 – Material Weakness – Federal Compliance <p><i>The district did not follow applicable written internal control procedures for bidding and board approval for certain equipment and real property expenditures using federal COVID-19 relief funding.</i></p> <p><i>Finding 2022-001 was a repeated audit finding from the previous fiscal year’s audit.</i></p>			

- 1.4 Has the district corrected all reported audit findings from the most recent and prior two audits? ☐ ☒ ☐

At the time of fieldwork, interviews with staff indicated that the district was preparing corrected journal entries related to the most recent audit findings. However, no documents were provided to FCMAT to support this.

The district's audit for the fiscal year ending June 30, 2022 contained the following audit findings, two of which were material weaknesses.

- 2022-001 – Material Weakness – Internal Control Over Financial Reporting

See above.

- 2022-002 – Material Weakness – Federal Compliance

See above.

- 2022-003 – Deficiency – Federal Compliance

The district was unable to provide supporting documents for payroll for one employee charged to the Head Start program.

- 2022-004 – Deficiency – State Compliance – Independent Study

The district was out of compliance with independent study attendance requirements due to weaknesses identified in various independent study agreements.

- 2022-005 – Deficiency – State Compliance - Classroom Teacher Salaries

The district did not comply with the classroom teacher salaries requirements for the fiscal year ended June 30, 2022.

- 2022-006 – Deficiency – State Compliance – Instructional Materials

The district did not hold a public hearing as required by EC 60119(1)(B) regarding the sufficiency of instructional materials, nor did the governing board pass a resolution regarding the sufficiency of textbooks and other instructional materials for the 2021-22 school year.

- 2022-007 – Deficiency – State Compliance – Unduplicated Local Control Funding Formula Pupil Counts

Three students were improperly identified as eligible for free or reduced-price meals in the district's CALPADS reporting for the 2021-22 school year.

2.	Budget Development and Adoption	Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2	Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3	Does the district use position control data for budget development?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 2.5 Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? ☐ ✓ ☐
The San Joaquin County Office of Education conditionally approved the district's 2022-23 adopted budget. Among other reasons for this, the county office's analysis indicated that the district's expenditures in its Local Control and Accountability Plan (LCAP) were not in alignment with the budget.
- 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)? ☐ ✓ ☐
Staff indicated the 2022-23 budget was developed with limited engagement from various educational partners because of frequent turnover in district leadership. At the time of fieldwork, limited input was also occurring with the development of the district's 2023-2024 budget.
- 2.7 Does the district budget and expend restricted funds before unrestricted funds? ☐ ✓ ☐
Interviews indicated that some restricted funds have been returned to their grantors because the district was unable to spend the funds in time, including various grant funding unspent by the Education Services Department. In addition, the district's Department of State and Federal Programs does not meet with the Business Department to ensure funds are coded correctly, creating the potential for use of unrestricted funds before restricted funds.
- 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? ☐ ✓ ☐
The district indicated that it regularly budgets carryover to try to better align estimated actuals with unaudited actuals.
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts? ✓ ☐ ☐
- 2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted general fund? ☐ ✓ ☐
No evidence was provided to show that the district has a documented procedure for evaluating proposed grants or other types of restricted funds and their potential multiyear impact on the 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? ☐ ✓ ☐
Although staff referenced an abbreviated budget calendar during interviews, FCMAT was not provided with a comprehensive budget calendar with major budget development tasks (e.g., review and reconciliation of position control), a deadline for each task, and the department or person responsible for completing each task.

3. Budget Monitoring and Updates		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.2	Are budget revisions posted in the financial system at each interim report, at a minimum? . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.3	Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Do the district's responses fully explain the variances identified in the criteria and standards? . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>In its analysis of the district's 2022-23 second interim report, the county office identified unresolved deficiencies including deficit spending, corrections of various accounting errors, and the lack of a comprehensive plan to use certain time-limited funds.</i>			
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.8	Does the district encumber and adjust encumbrances for salaries and benefits?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.9	Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district indicated balance sheet accounts are reconciled only during year-end closing.</i>			
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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district has been unable to meet the statutory deadline of September 15 to submit its unaudited actuals to the county office. The unaudited actuals were submitted on September 29 in 2021-22, and on November 8 in 2020-21. The delays occurred partly because the data provided to the county office differed from the unaudited actuals data approved by the district's governing board.</i>			

4. Cash Management		Yes	No	N/A
4.1	Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>At the time of FCAMT's fieldwork, the district indicated it had made significant progress in this area and had reconciled cash with the county treasury through February 2023. However, this was identified as an audit exception in the annual audit report for 2020-21, and it has been a consistent area of concern in communications from the county office. FCMAT requested the completed reconciliations, but the district did not provide sufficient documentation.</i>			

- 4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? ☐ ☒ ☐
- Although the district indicated significant progress in this area, it has not demonstrated that all bank accounts are updated monthly or on any other regular basis. As stated in the district's 2021-22 audit report, "Cash in County account reconciliations are not being performed in a timely manner, including segregation of duties and investigation of long outstanding variances. This has led to material misstatements in cash balances presented for audit."*
- This deficiency has also been noted in communications from the county office.*
- 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? ☐ ☒ ☐
- In the district's 2022-23 second interim report, the district forecast cash for the current year only, through June 30, 2023. No cash flow projections for 2023-24 were included in the second interim report provided to FCMAT.*
- 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? ☐ ☒ ☐
- As stated above, the district does not complete a cash flow projection for the subsequent year. Therefore, neither the district nor FCMAT can determine whether the district will have sufficient cash in 2023-24.*
- 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? ☐ ☒ ☐
- The district did not provide evidence that it has fulfilled its charter oversight responsibilities. However, FCMAT acknowledges that the district has board policies and administrative regulations regarding charter school oversight, as outlined in its Board Policy 0420.21.*
- 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? ☐ ☒ ☐
- The district did not provide evidence of any specific employees who are responsible for charter school oversight.*

6. Collective Bargaining Agreements		Yes	No	N/A
6.1	Has the district settled with all its bargaining units for the past two fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Has the district settled with all its bargaining units for the current year?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>At the time of fieldwork, interviews indicated that negotiations had not been settled with the district's nine bargaining units for the 2022-23 fiscal year.</i>			
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district did not provide evidence that the financial impact of collective bargaining agreements was accurately quantified. Also, the county office's letter declaring the district a lack of going concern stated, "After our review and analysis of financial information and multi-year projections included as part of this Disclosure, we noted numerous material differences between our estimates and those provided by the District."</i>			
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>As previously stated, although the district conducts a presettlement analysis to identify related costs or savings of any tentatively negotiated settlement, the analysis lacks sufficient accuracy to adequately quantify the fiscal impact.</i>			
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)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district did not provide FCMAT with documents showing the total cost of its bargaining agreements for fiscal years 2022-23, 2021-22, or 2020-21. Therefore, FCMAT could not compare each to its respective funded COLA to determine if any exceeded that percentage.</i>			
6.6	If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)?	<input type="checkbox"/>	<input type="checkbox"/>	✓
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Although the district has completed the disclosure requirements for recent settlements, the disclosures lack sufficient accuracy to show the overall fiscal impact, as mentioned above. Government Code 3547.5 states, "The superintendent of the school district and chief business official shall certify in writing that the costs incurred by the school district under the agreement can be met by the district during the term of the agreement." FCMAT did not receive documents that show this occurred.</i>			
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>FCMAT did not receive a fully executed version of the latest public disclosure of collective bargaining agreement with the Stockton Teachers Association that included a certification by the district's superintendent and CBO.</i>			

- 6.9 Is the governing board's action consistent with the superintendent's and CBO's certification? . ☐ ☒ ☐

Because FCMAT did not receive a fully executed version of the latest public disclosure of collective bargaining agreement with certification by the district's superintendent and its CBO, FCMAT was unable to determine if the board's subsequent action was consistent with the 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 did not provide FCMAT with a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds, including special education.

- 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? ☐ ☒ ☐

As of the district's 2022-23 second interim report, the district projected an annual contribution of \$500,000 to Fund 25 to repay a certificate of participation (COP), both in the current year and in the subsequent years of the multiyear projection. However, the balloon payments beginning in 2028 are \$2,615,000 annually. Assuming the district continues to make \$500,000 in contributions over the next five years, there will be \$2.5 million left in this fund when the increase occurs. Developer fees will need to continue providing revenue to ensure the district is able to make the required payments in 2028 and beyond.

The district is also experiencing increasing costs in its Fund 09, Charter School Special Reserve Fund, with expenditures projected to increase from \$21.8 million in 2021-22 to \$64.1 million in 2022-23. The district was investigating the cause of this during FCMAT's fieldwork but was unable to provide an explanation for the increase. Unless costs can be controlled, this fund will require increasing support from the unrestricted general fund, for which the district had not projected adequately at second interim.

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? . . ☒ ☐ ☐
- 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)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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 (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district's unrestricted general fund revenues?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.3	Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.5	Does the district track, reconcile and report employees' compensated leave balances?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Interviews with staff indicated that the Human Resources Department tracks leaves, but the leaves are not reconciled. Staff reported that communication is lacking between departments and that it was possible for employees to take a leave without their respective leave balances being reduced.</i>			
10. Enrollment and Attendance		Yes	No	N/A
10.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>According to the CDE's DataQuest reporting system, the district's enrollment has declined in the current and two prior fiscal years. Enrollment was reported as shown below:</i>			
	<ul style="list-style-type: none"> • 2020-2021: 40,627 • 2021-2022: 39,803 • 2022-2023: 39,169 			
10.2	Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district reported that it attempts to monitor and analyze enrollment and ADA monthly, but this information is not shared with relevant departments. Because of turnover in management positions, staff who handle enrollment indicated they are uncertain how the information should be most effectively distributed.</i>			
10.3	Does the district track historical enrollment and ADA data to establish future trends?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.4	Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Staff reported that they have conducted a monthly audit of daily enrollment in the past; however, this was not being done at the time of FCMAT's fieldwork. To improve its records, the district recently hired staff to help schools reconcile enrollment data.</i>			
10.5	Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?	✓	<input type="checkbox"/>	<input type="checkbox"/>

10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.7	Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district does not have processes and procedures for schools and departments to review and verify their respective CALPADS data and correct it as needed before the report submission deadlines.</i>			
10.8	Has the district planned for enrollment losses to charter schools?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Interviews indicated that the district has no formal plan or strategy to account for losses in enrollment to charter schools.</i>			
10.9	Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.10	Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>

11. Facilities		Yes	No	N/A
11.1	If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
11.3	Does the district properly track and account for facility-related projects?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Because the district lacks a facilities master plan, has vacancies and/or extended absences in the Facilities Department, and has prior fiscal year bills that remain outstanding, the district is unable to properly track and account for all facility-related projects.</i>			
11.4	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>FCMAT could not confirm the district's loading standard compared to that of the Office of Public School Construction. This is typically outlined in a facilities master plan, which the district lacks. In addition, documents describing the current loading standards were unavailable at the time of fieldwork. FCMAT was therefore unable to determine if the facilities are being used effectively and efficiently at each site.</i>			
11.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district does not use comprehensive planning tools, such as a facilities master plan or a documented maintenance schedule, to project facilities needs in advance.</i>			
11.6	Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee? ☐ ☒ ☐

Interviews with staff indicated that the district lacks a bond oversight committee for the district's Measure C bond, which passed in November 2022. At the time of fieldwork, the district was recruiting community members to serve on an oversight committee.

- 11.8 Does the district have a long-range facilities master plan that reflects its current and projected facility needs? ☐ ☒ ☐

Interviews indicated that the district lacks a long-range facilities master plan. This was also mentioned in FCMAT's January 25, 2022 management assistance report.

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? ☒ ☐ ☐
- 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? ☐ ☒ ☐
The district indicated this has been an area of concern, especially for funds associated with the COVID-19 pandemic, some of which have been used for applicable salaries and benefits. This has also been identified as a concern in communications from the county office. The district indicated it is working on a plan to resolve this issue.
- 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? . . . ☒ ☐ ☐
- 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 portion of the district's 2021-22 general fund unrestricted budget allocated to salaries and benefits was 91%. The statewide average for unified districts in 2021-22 was 87%.
The portion of the district's 2020-21 general fund unrestricted budget allocated to salaries and benefits was 91%. The statewide average for unified districts in 2020-21 was 90%.
- 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? ☐ ☒ ☐
- For positions paid using one-time COVID-19 funding, the district lacks a specific plan, and it has simply shifted many of the positions to the unrestricted general fund in subsequent years of the multiyear projection. The district indicated it is working on a plan to better resolve this issue.*
- 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? ☐ ☒ ☐
- As previously stated (see item 2.7), interviews indicated that some restricted funds have been returned to grantors because the district was unable to spend the funds in 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 indicated the maximum indirect cost rate was not applied to all programs in 2021-22 or in previous years, though the district intends to ensure the maximum rate is charged in the future. FCMAT determined that most programs were being charged the maximum allowable rate in 2021-22.*

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? ☐ ☒ ☐
- Although the district has tried to accurately report its unduplicated pupil percentage (UPP) and appears to have done so in 2022-23, it received a related audit finding for the 2021-22 fiscal year. The district's UPP for the 2021-22 school year was originally reported at 83.46% but was later revised to 82.86%. The fiscal impact was a reduction of approximately \$355,360 in LCFF revenues. Interviews indicated that the district has since implemented various processes to improve UPP reporting.*
- 14.4 Is the district using the same financial system as its county office of education? ☐ ☒ ☐
- The district is using Business Plus as its financial system, and it has entered into an agreement to implement Escape as its new financial system. The budget and accounting modules will be active in 2023, with the human resources and payroll functions planned for implementation in July 2024. However, even though the county office also uses Escape, the district's Escape financial system will be independent of the county office's system.*
- 14.5 If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems? ☐ ☒ ☐
- The district indicated that data may have been provided to the county office in a monthly batch process in the past; however, FCMAT determined that this process is ineffective for county office oversight purposes and is currently not being used.*

- 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? ☐ ☒ ☐

The district indicated that the county office may have been provided with system access in the past; however, the county office indicated that no access is currently available.

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? ☐ ☒ ☐

Changes in employment status are communicated to technology by human resources and are subsequently reflected in the financial system. However, interviews indicated that the district has no process for regularly or annually reviewing system access and authorizations. The Technology Department is in a transition, which has contributed to a lack of established procedures in this area.

- 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? ☐ ☒ ☐

The district indicated no reconciliation of the ending fund and beginning fund balances for each fiscal year is being performed. The county office also identified this as an area of concern in its declaration of a lack of going concern.

- 15.5 Does the district review and work to clear prior year accruals throughout the year? ☐ ☒ ☐

Interviews and documents indicated that the district was working to clear prior year accruals at the time of fieldwork, which was after the second interim reporting period. Thus, this task is being performed close to the end of each fiscal year rather than as an ongoing process 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? ☐ ☒ ☐

The district did not reconcile and close the prior year in the time prescribed by the county office. While an initial submission may have occurred on time, staff indicated that a subsequent revision was needed. The county office has also identified this as a concern in formal communications with the district.

- 15.7 Does the district have processes and procedures to discourage and detect fraud? ☐ ☒ ☐

Although Board Policy 3400 states, "The Superintendent or designee shall develop internal controls which aid in the prevention and detection of fraud..." interviews with school employees and documents received by FCMAT did not provide evidence that the district has comprehensive fraud detection controls.

- 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? ☐ ☒ ☐

Although Board Policy 3400 states, "...the Superintendent or designee shall establish a method for employees and outside persons to anonymously report any suspected instances of fraud..." and "The Superintendent or designee shall have primary responsibility for any necessary investigations of suspected fraud..." interviews with school employees and documents FCMAT received did not provide evidence that a formal fraud collection and investigation process has been developed. The district lacks an anonymous fraud reporting hotline.

- 15.9 Does the district have an 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? ☐ ☒ ☐

As stated in the county office's lack of going concern letter dated October 22, 2022, the district has experienced ongoing turnover in its CBO position. At the time of FCMAT's fieldwork, four different individuals had served as the CBO since May 2020.

- 16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years? ☐ ☒ ☐

As stated in the county office's lack of going concern letter dated October 22, 2022, since June 2020, the district has had four different individuals serve as superintendent or interim superintendent.

- 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 school and department administrators responsible for budget oversight and management have not had any recent training in financial management and budgeting. The district lacks a schedule for regular budget management and financial training for school and department staff.

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

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

Although some staff indicated that certain updated policies were communicated, other staff members reported they did not receive updated or revised policies and administrative regulations. FCMAT did not receive information or evidence that revised policies and administrative regulations were appropriately and consistently communicated to staff.

16.7	Do all board members attend training on the budget and governance at least every two years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Although board members have regularly attended training on board governance, interviews with staff and board members indicated that the board does not receive regular training on budgets, and it has not had a formal budget training for all board members in the past two years.</i>			
16.8	Is the superintendent's evaluation performed according to the terms of the contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17. Multiyear Projections		Yes	No	N/A
17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.2	To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.3	Does the district use its most current multiyear projection in making financial decisions?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that the current multiyear projection is not used widely or regularly for making financial decisions.</i>			
17.4	If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Non-Voter-Approved Debt and Risk Management		Yes	No	N/A
18.1	Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others) stable, predictable, and other than unrestricted general fund?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district has a COP that is repaid using developer fees received in Fund 25. The annual COP debt service payment for the next five years is \$2.6 million. Developer fee revenue in 2021-22 and 2020-21 was \$5.2 million and \$3.0 million, respectively. However, in 2019-20, the district received only \$2.3 million in developer fees, requiring a contribution of \$500,000 from the unrestricted general fund to make the required payment.</i>			
	<i>In 2022-23, the district began transferring \$500,000 from its unrestricted general fund each year to build the Fund 25 ending fund balance in anticipation of required payments through 2036. As mentioned previously, assuming the district continues to make \$500,000 in annual contributions over the next five years, there will be \$2.5 million in this fund in 2028, when the annual payment increases slightly. Developer fees will need to continue providing revenue to ensure the district is able to make the required payments in 2028 and beyond.</i>			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.3	If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. Position Control		Yes	No	N/A
19.1	Does the district account for all positions and costs?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated the district is attempting to fill positions that have remained unfilled for several years. With the conversion to a new financial system, staff reported they are working to reconcile position control data to ensure the most accurate information is transferred to the new financial system.</i>			
19.2	Does the district analyze and adjust staffing based on staffing ratios and enrollment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Aside from locally-bargained language on staffing ratios for certificated staff, the district did not provide evidence that any staffing formulas are being used. Staff indicated that meetings were held regarding certificated staffing; however, some classified managers indicated that they had not been contacted regarding their staffing ratios.</i>			
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district did not provide evidence that a reconciliation of the position control system occurs regularly. In addition, staff indicated that reconciliations do not occur at budget development or at interim reporting periods.</i>			
19.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.5	Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.6	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that human resources and payroll meet regularly; however, the business office is not included in these meetings.</i>			
20. Special Education		Yes	No	N/A
20.1	Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.2	Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.3	Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.4	Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews indicated that the district acknowledges this as an area it plans to improve, because not all costs related to special education may have been fully or properly recorded in prior fiscal years.</i>			
20.5	Is the district's contribution rate to special education at or below the statewide average contribution rate?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Although the district provided documents indicating that this analysis is being performed at year end, FCMAT did not receive any evidence that this is occurring at each reporting period.

Risk Score, 20 numbered sections only:

48.6%

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.)

Appendix

Study Agreement



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 7, 2022**

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Stockton Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). In accordance with the 2018-19 Budget Act, the team has been assigned to study the district's fiscal health because of the county superintendent's downgrade of the district's 2021-22 second interim report certification per Education Code (EC) 42131. The team may include staff from FCMAT, county offices of education, the California Department of Education, other school districts, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

The county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

B. Services and Products to be Provided

1. Orientation Meeting – If on-site review is needed, the team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the district office and at schools if necessary.
3. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.

5. Board Presentation – The team will make a presentation regarding the final report at a district board meeting.

3. PROJECT PERSONNEL

The FCMAT study team may include:

- | | |
|---------------------------------|---------------------------|
| <i>A. Jeff Potter</i> | <i>FCMAT Staff</i> |
| <i>B. Marcus Wirowek</i> | <i>FCMAT Staff</i> |

4. PROJECT COSTS

Pursuant to the 2018-19 Budget Act, costs for the study shall be as follows:

- A. All staff member and consultant daily rates and expenses will be covered by a specific state apportionment for this purpose.
- B. Based on the elements noted in section 2A, the total cost of the services is \$0.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following items:
 1. Current or proposed detailed organizational charts.
 2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

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

6. PROJECT SCHEDULE

The schedule of services will be determined jointly by FCMAT and the district.

7. COMMENCEMENT AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

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

9. INSURANCE

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

10. HOLD HARMLESS

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

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-in-place orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections 2, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. **FORCE MAJEURE**

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

13. **CONTACT PERSON**

Name: Dr. Traci E. Miller
 Telephone: (209) 933-7000
 E-Mail: tmiller@stocktonusd.net

Traci E. Miller

2/28/23

Dr. Traci E. Miller, Superintendent
 Stockton Unified School District

Date

Michael H. Fine

3/1/23

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

Date