

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

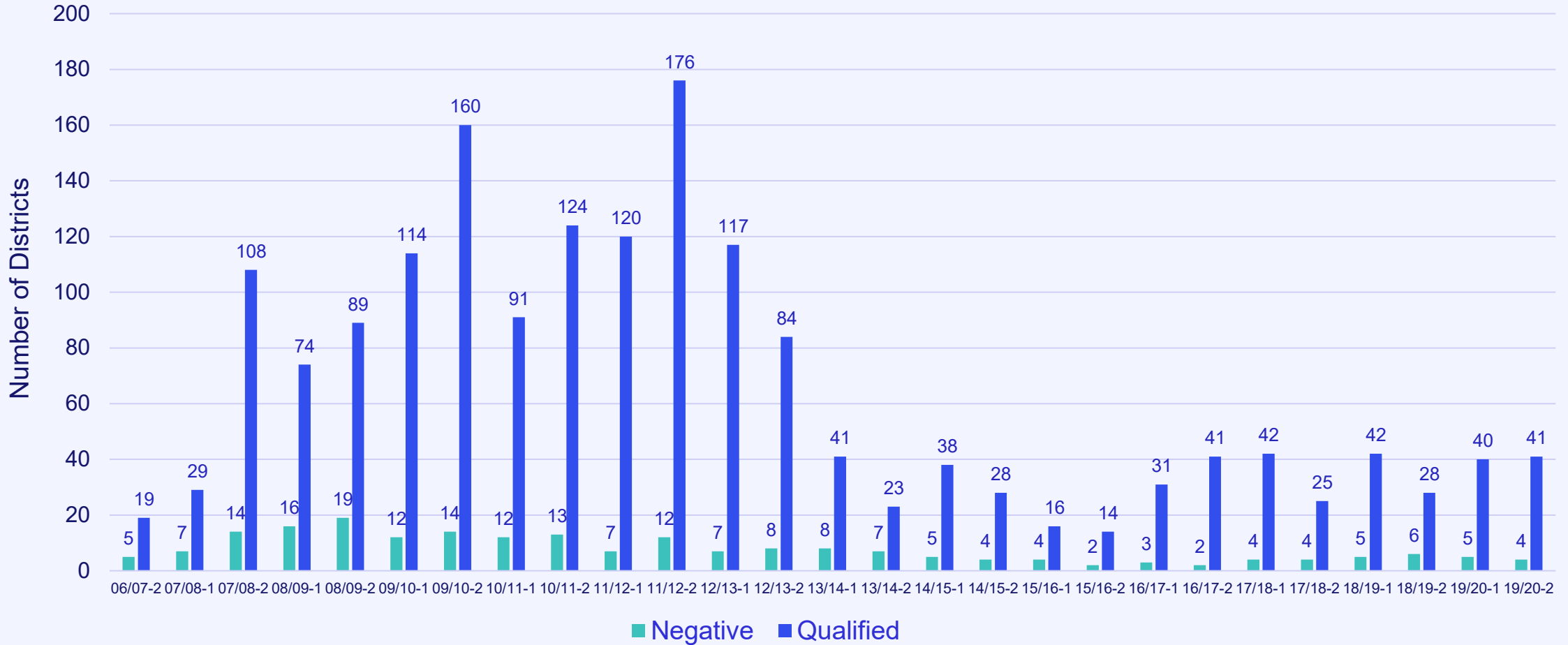
Fiscal Status of LEAs

As of October 22, 2020

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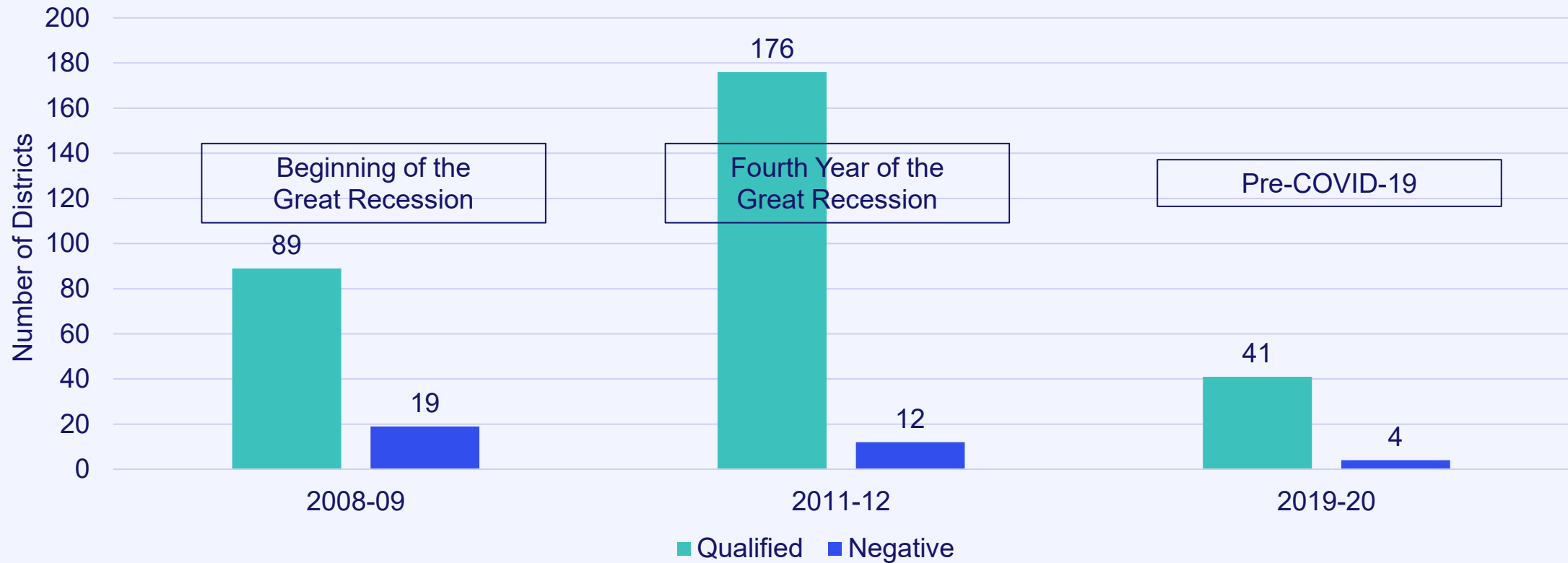
- Historical Perspective of Interim Report Certifications
- FY 2019-20 Status
 - FCMAT Annual Report (separate document)
 - FY 2020-21 Update for Disapproved Budgets and Lack of Going Concern
- Fiscal Health Risk Analysis Trends
- Outlook for FY 2020-21 First Interim

Historical Qualified & Negative Certifications



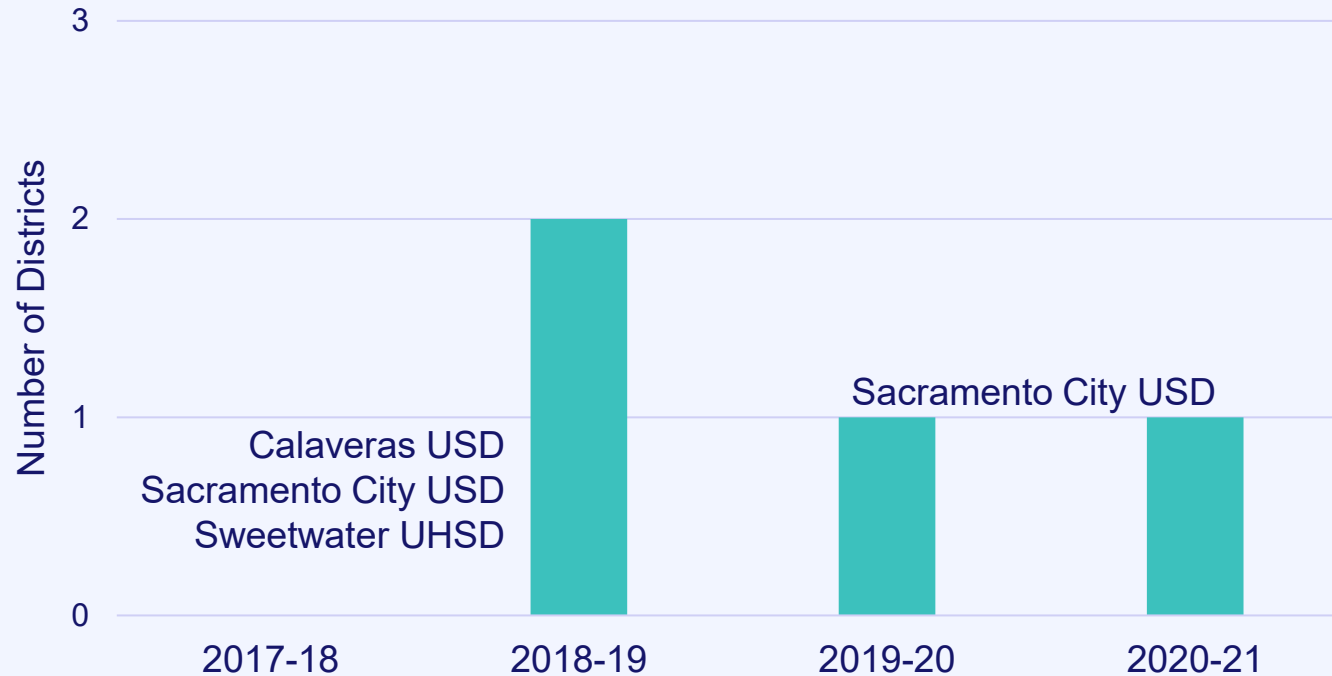
Historical Perspective on Certifications

Certifications at Second Interim



Disapproved Budgets

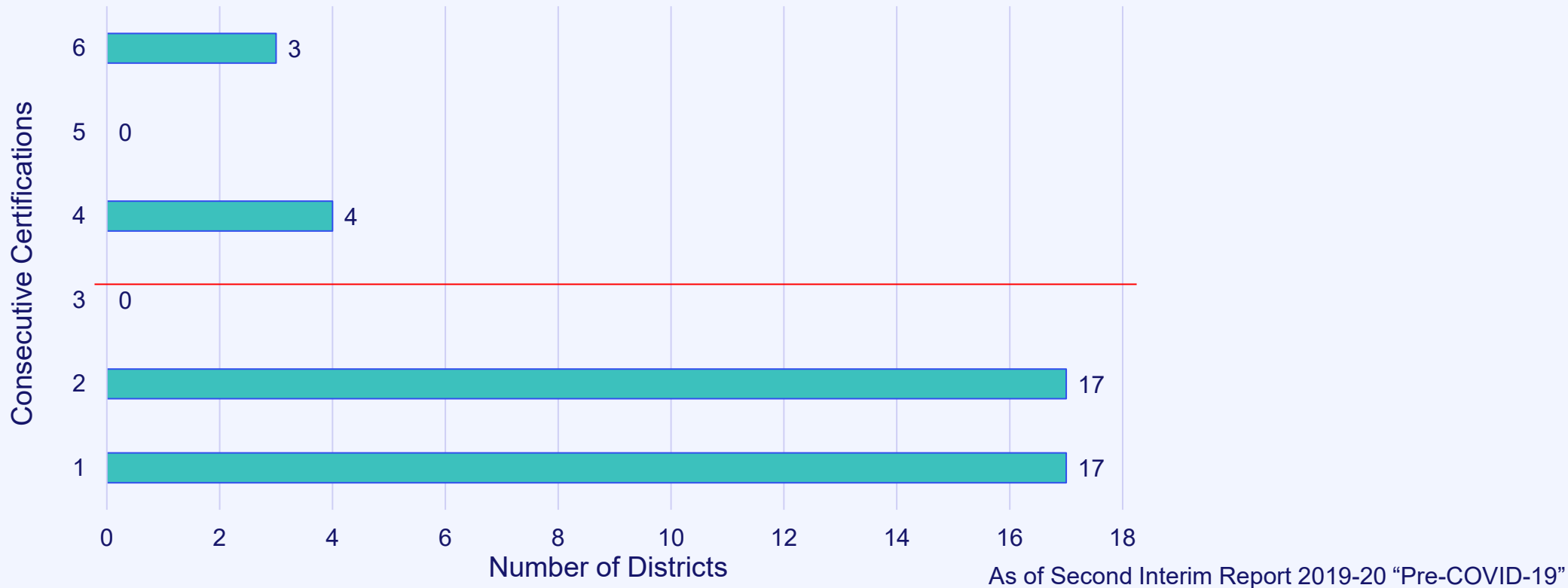
The one disapproved budget in 2020-21 represents the district's third consecutive disapproved budget.



As of 2020-21 Budget Adoption reviews, October 5, 2020

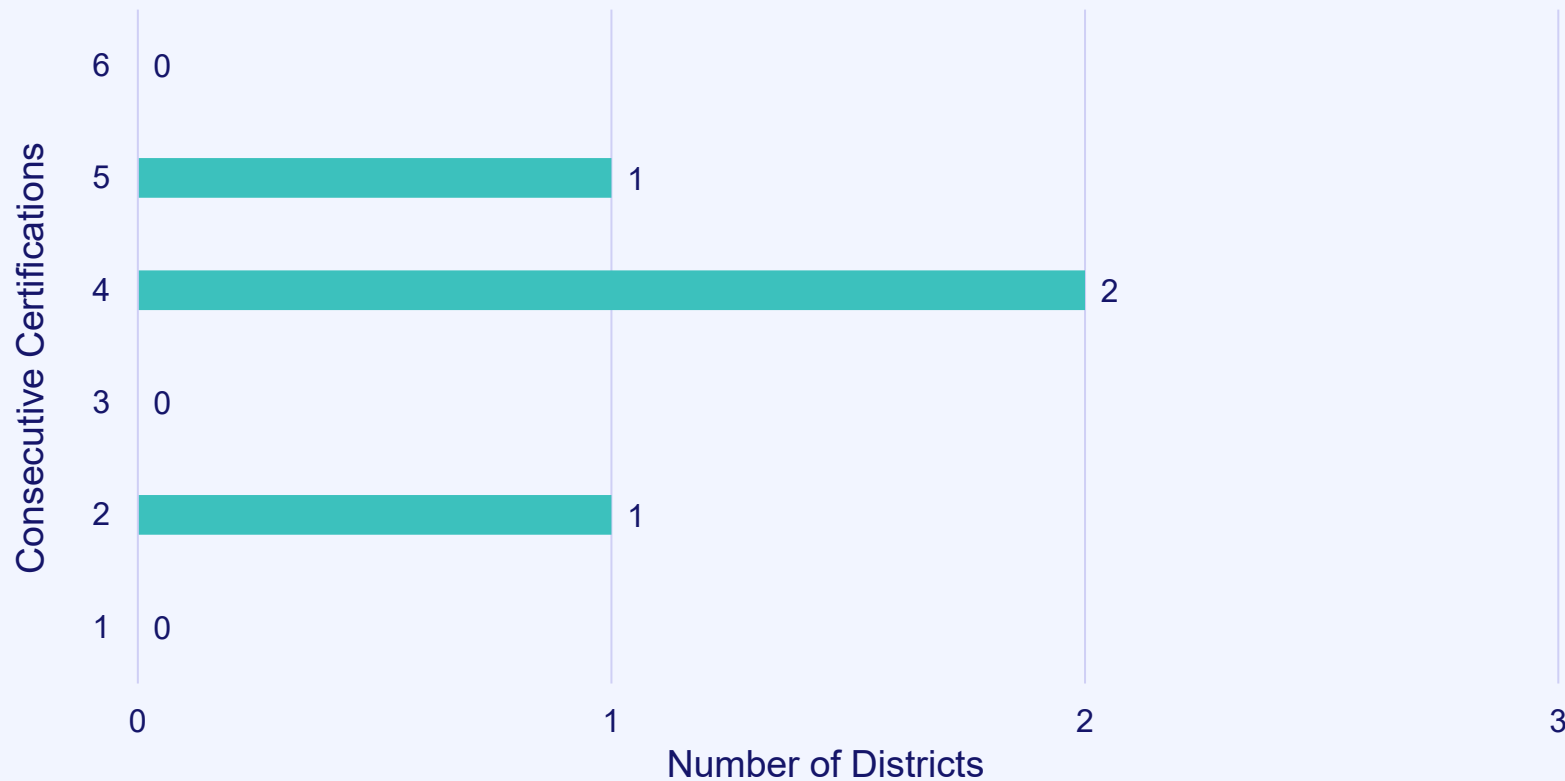
Qualified Interim Reports Certifications

Of the 41 qualified districts, seven have three or more consecutive qualified certifications over the past six reporting periods. Two are qualified as a result of a downgrade in certification by their county superintendent.



Negative Interim Reports Certifications

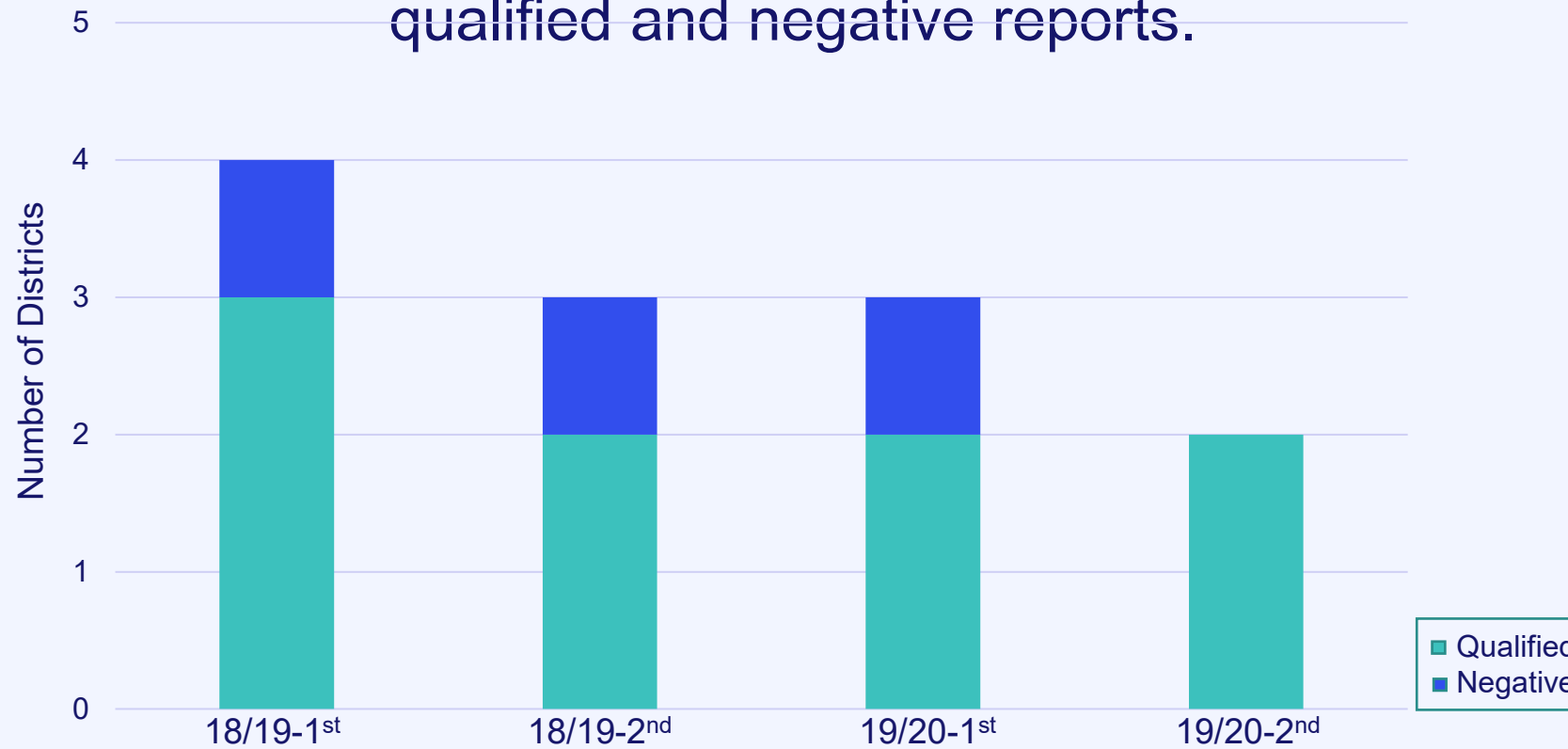
Of the four negative districts, three have four or more consecutive negative certifications over the past six reporting periods.



As of Second Interim Report 2019-20 "Pre-COVID-19"

Downgraded Interim Report Certifications

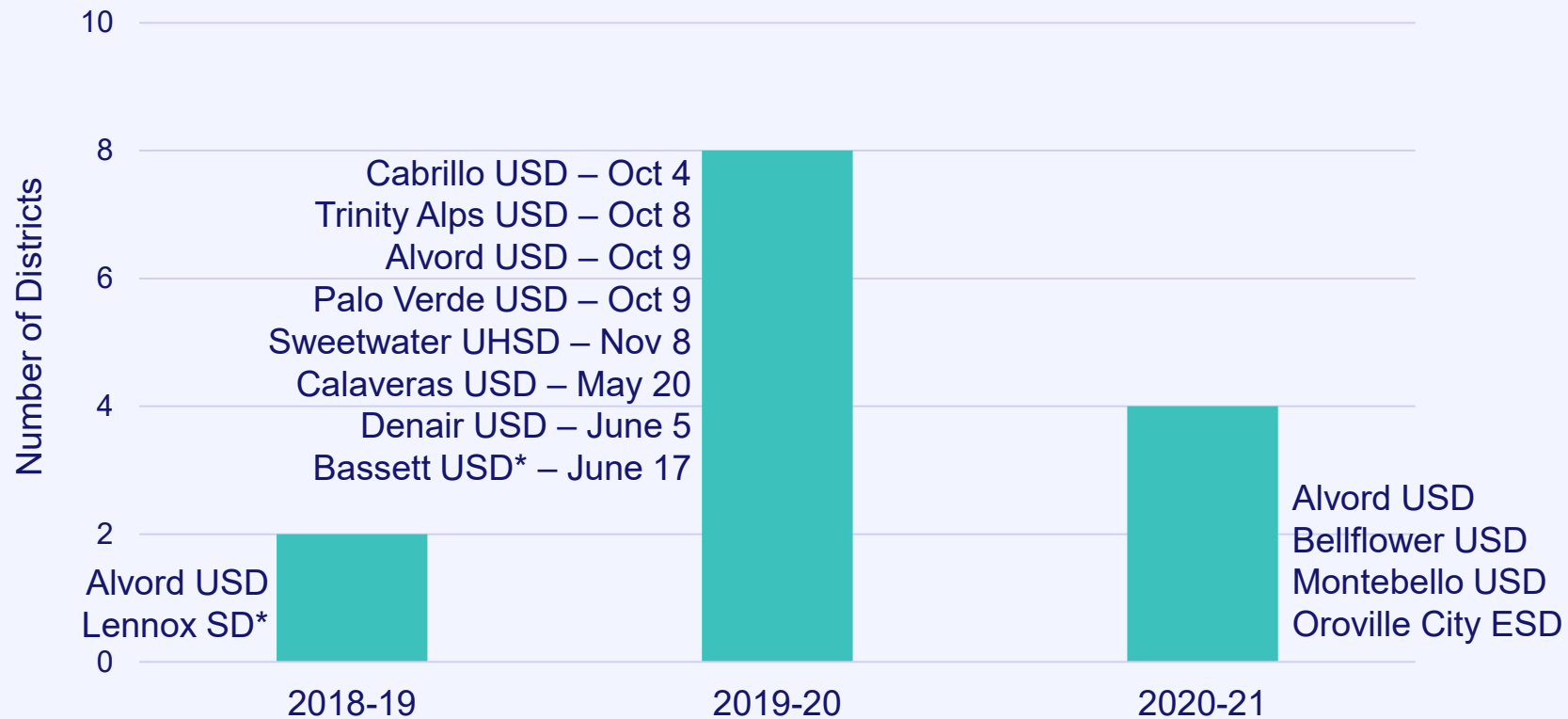
Interim reports that have certifications downgraded by the county superintendent are included in the total count of qualified and negative reports.



As of Second Interim Report 2019-20 "Pre-COVID-19"

Lack of Going Concern Designations

Four districts have been designated as a lack of going concern in 2020-21 for non-budget concerns, such as leadership, lack of disclosure and non-compliance.



As of October 22, 2020

*LACOE considers Lennox and Bassett as continuing LGC status in 2020-21

Community Colleges

Based on 2018-19 Annual Budget and Financial Reports, the matrix analysis below depicts the proposed criteria of ending balance / expenditures ratios and deficit ratios.

	(Ending Balance/ Expenditures) < 5%	(Ending Balance/ Expenditures) between 5% and 10%	(Ending Balance/ Expenditures) > 10%
No Deficit (Surplus/Expenditures) > 0%	none	4 districts	55 districts
Small Deficit (Deficit/Expenditures) between -5% and 0%	none	5 districts	6 districts
Large Deficit (Deficit/Expenditures) < -5%	none	3 districts	none

Source: California Community College Chancellor's Office, January 2020

Fiscal Health Risk Analysis Trends

- In two years there have been 28 cases in which conditions have triggered a Fiscal Health Risk Analysis (FHRA)
 - 20 FHRAs completed, two are completed but not yet published, one is in progress, three are in the early stages of planning, and two were cancelled after additional information was considered
 - Three additional FHRAs completed due to requests by LEAs
- Scoring methodology was modified and implemented part way through the second year after reviewing results from the first year
- Analysis of items and evaluation of scores are an ongoing quality assurance process

Fiscal Health Risk Analysis Trends

LEA	Trigger	Year	Risk Score	Risk Level	Other
Calaveras USD	D	18-19 B	31.7	Moderate	
Sweetwater UHSD	D	18-19 B	57.7	High	
Sacramento City USD	D	18-19 B	44.8	High	
Oceanside USD	3Q	18-19 1	31.4	Moderate	
Alvord USD	LGC	18-19 1	40.1	High	
Coachella Valley USD	3Q	18-19 1	44.7	High	
Klamath-Trinity JUSD	3Q	18-19 1	20.4	Low	
Gateway USD	3Q	18-19 2	15.3	Low	
Amador COE	N	18-19 2	46.4	High	
Amador County USD	None	18-19 2	38.6	Moderate	Single/Single COE trigger
Lennox SD	LGC	18-19 2	53.0	High	

D=disapproved budget, N = negative certification, 3Q = three consecutive qualified certifications, LGC = lack of going concern, DN = downgraded certification;
 year+B = budget, year+1 = first interim, year+2 = second interim

Presented in order of occurrence

Fiscal Health Risk Analysis Trends (cont.)

LEA	Trigger	Year	Risk Score	Risk Level	Other
Cabrillo USD	LGC	19-20 B	38.7	Moderate	
Palo Verde USD	LGC	19-20 B	45.1	High	
Trinity Alps USD	LGC	19-20 B	26.9	Moderate	
Konocti USD	DN-N	19-20 1			Cancelled per COE
San Ysidro ESD	3Q	19-20 1			Cancelled per COE
Newark USD	3Q	19-20 2	29.3*	High	
East Side Union HSD	DN-Q	19-20 2	31.8*	High	
Alum Rock UESD	3Q	19-20 2	37.2*	High	
Camino UESD	3Q	19-20 2	24.0*	Moderate	
Gold Trail UESD	3Q	19-20 2	20.6*	High	
Denair USD	LGC	19-20 2	34.6*	High	

D=disapproved budget, N = negative certification, 3Q = three consecutive qualified certifications, LGC = lack of going concern, DN = downgraded certification; year+B = budget, year+1 = first interim, year+2 = second interim; *new scoring methodology

Presented in order of occurrence

Fiscal Health Risk Analysis Trends (cont.)

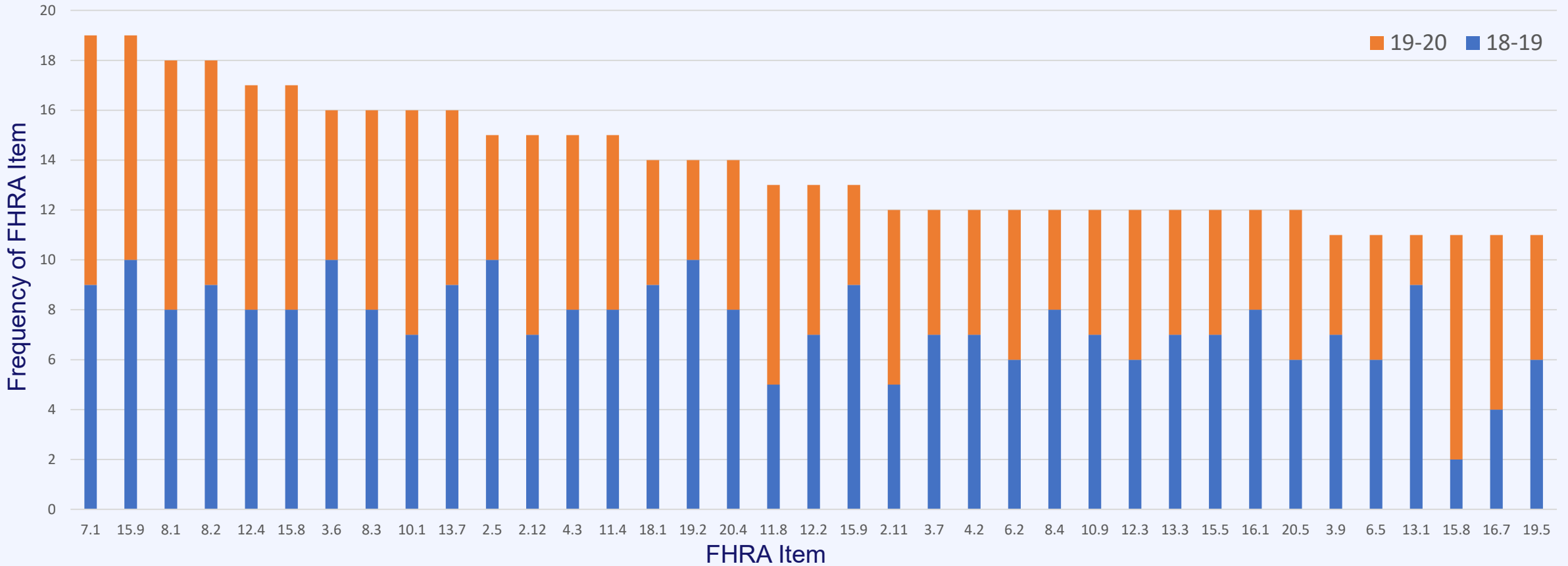
LEA	Trigger	Year	Risk Score	Risk Level	Other
Southern Kern USD	N	19-202	51.9*	High	
San Ysidro ESD	3Q	19-202	*		Not yet published
Bassett USD	LGC	19-202	*		In progress
Bellflower USD	LGC	20-21 B	*		Contact initiated
Montebello USD	LGC	20-21 B	*		Contact initiated
Oroville City ESD	LGC	20-21 B	*		Not yet initiated

D=disapproved budget, N = negative certification, 3Q = three consecutive qualified certifications, LGC = lack of going concern, DN = downgraded certification; year+B = budget, year+1 = first interim, year+2 = second interim; *new scoring methodology

Presented in order of occurrence

FHRA High Frequency Findings

High frequency >50%

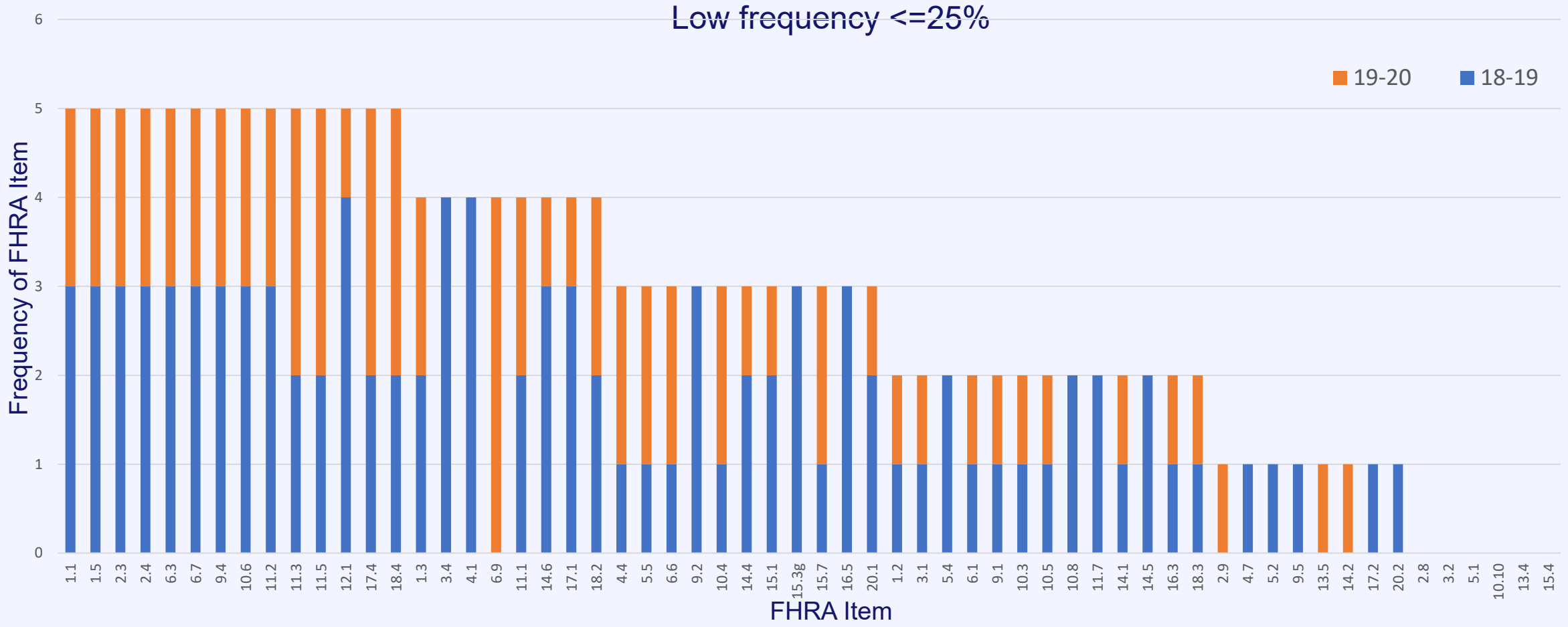


Based on 20 completed FHRAs

FHRA High Frequency Findings

19/20 (95%)		16/20 (80%)	
7.1	No board approved plan to eliminate/reduce or control contributions	3.6	Did not address COE identified deficiencies
15.9	No internal audit process	8.3	No board approved plan to reduce and/or eliminate deficit spending
		10.1	Enrollment not increasing or stable
		13.7	Restricted program cost accounting not maximized
18/20 (90%)		15/20 (75%)	
8.1	Deficit spending in current year	2.5	Budget not approved unconditionally
8.2	Projected deficit spending in the two subsequent years	2.12	Does not adhere to budget calendar
		4.3	Cash flow forecasting not completed
		11.4	Facilities not fully used
17/20 (85%)		14/20 (70%)	
12.4	Unrestricted fund balance not stable or increasing in the two subsequent years	18.1	Non-voter approved debt repayment sources not stable
15.8	No fraud reporting process in place	19.2	Certificated staffing ratios not adopted and adhered to
		20.4	SpEd costs not all budgeted and accounted for

FHRA Low Frequency Findings



Based on 20 completed FHRA's

FHRA Low Frequency Findings

0/20 (0%)

- 2.8 LCAP and budget not adopted timely
- 3.2 Budget revisions not posted timely
- 5.1 Charters not going concerns
- 10.10 Class size ratios not adhered to
- 13.4 Uniform complaints not addressed
- 15.4 Ending balance not reconciled

1/20 (5%)

- 2.9 Carryover funds included in budget
- 4.7 External borrowing repayment not in projection
- 5.2 No charter oversight
- 9.5 Compensated leave balances no tracked
- 13.5 Restricted funds not sufficient to cover positions
- 14.2 Financial system not used to make informed decisions
- 17.2 Inaccurate LCFF multiyear calculation
- 20.2 Does not access available SpEd funding

FHRA Outlook as of 2020-21 Budget

- Disapproved Budget
 - Sacramento City USD
- Lack of Going Concern Designation

<ul style="list-style-type: none">• Bellflower USD• Montebello USD	<ul style="list-style-type: none">• Oroville City ESD	
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- First Interim – possible triggers due to three consecutive qualified interim reports (projected, all currently at two consecutive qualified certifications)

<ul style="list-style-type: none">• West Contra Costa USD• Lost Hills Union ESD• Azusa USD	<ul style="list-style-type: none">• Charter Oak USD• Dehesa ESD• Shandon JUSD	<ul style="list-style-type: none">• San Carlos ESD• Happy Valley UESD• Santa Rosa City ESD & HSD
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