



FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Fiscal Health Risk Analysis

March 3, 2022



# San Francisco Unified School District

Michael H. Fine  
Chief Executive Officer

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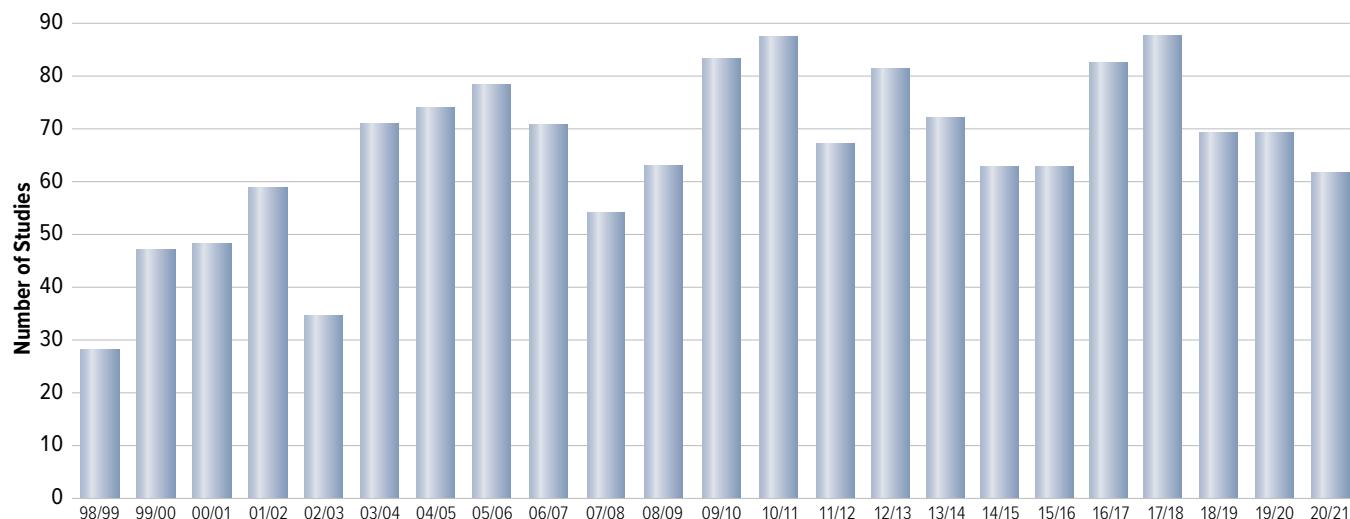
# About FCMAT

FCMAT's primary mission is to assist California's local 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.

## Studies by Fiscal Year



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](http://www.ed-data.org)) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

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

# Introduction

## Background

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

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

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

This fiscal health risk analysis is being conducted because the district had the following condition, under which an analysis is required by the 2018-19 State Budget Act.

- “Lack of going concern” designation

The San Francisco Unified School District is the sixth largest school district in the state. The district serves approximately 59,000 students in grades K-12 and employs nearly 10,000 staff. The district serves both the city and county of San Francisco. As a single-district county, the district and the San Francisco County Office of Education are administered jointly and are governed by the same board of trustees. Because of this, the state superintendent of public instruction (SPI) serves as their oversight agency.

The California Department of Education (CDE), on behalf of the SPI, examined the county office's and the district's 2021-22 budgets and approved them. However, the CDE identified concerns about the district's deficit spending and its fiscal projections that indicate insufficient reserves beginning in 2022-23. As a result, the SPI determined that the district is no longer a going concern, and FCMAT's engagement was triggered.

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 Francisco Unified School District on October 5, 2021, and a study team conducted virtual interviews at various times from October 27 through December 15, 2021. Following fieldwork, the study team continued to review and analyze documents. Document collection continued through January 14, 2022. This report is the result of those activities.

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

## Study Team

The team was composed of the following members:

John Von Flue  
Chief Analyst

Carolynne Beno, Ed.D.  
Intervention Specialist

Erin Lillbridge, CFE  
Intervention Specialist

John Lotze  
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

Dates of fieldwork: October 27-29, November 10, and December 15, 2021

District: San Francisco Unified School District

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

## Summary

In concurrence with the concerns cited by the state superintendent of public instruction (SPI) leading to the lack of going concern designation, FCMAT's Fiscal Health Risk Analysis identifies issues that include deficit spending; issues with budget development, monitoring and updating; and concerns about the district's ability to maintain sufficient reserves.

The SPI's oversight letters since 2019-20 have cautioned the district and the county office of education about deficit spending and highlighted the need to identify and implement expenditure reductions to balance their budgets, eliminate deficit spending and maintain ongoing fiscal solvency.

This analysis identifies budget monitoring as the area of most concern. FCMAT found that the district's actual revenues and expenses did not align with its interim financial reports. The district should update its budget at least at each reporting period and articulate the budget revisions or, at minimum, clearly explain why variances exist. This has not been the case for the first interim report for 2021-22 or the interim reports for 2020-21. Failure to update the budget and clearly explain any known variances can give an inaccurate picture of the district's finances and fiscal status.

The closely aligned areas of budget development and cash management also had significant risk factors. FCMAT found that the district does not use position control as a basis for budget development and site allocations. Because employee compensation accounts for a significant majority of the district's expenditures, failure to use accurate employee costs in planning can quickly lead to budget imbalances. FCMAT also found that the district uses contra account entries to balance the total employee compensation costs. In addition, the district forecasts its cash needs only for the current year rather than for the recommended current and subsequent year. This can create an unforeseen lack of available cash in the future because the district currently supports its cash balances in several funds, including the general fund, through interfund and external borrowing.

As mentioned, employee compensation makes up most of the district's expenses. For 2021-22, the district's costs for salaries and benefits made up 93.9% of its budgeted expenditures; the latest statewide average for this number was 88%. In addition, at the time of this review, the district had not yet settled with all employee collective bargaining units. The district's generous compensation and benefits are also evident in its current year post-employment benefits, which cost nearly \$37 million, or more than 6% of current year revenues, and which are projected to increase by approximately \$2 million annually through 2028. Of further concern is the district's practice of approving compensation increases before confirming sufficient funding for the increase. Compensation increases were given based on the successful passage of Proposition G, yet the funds were under legal challenge and were not distributed to the district as expected.

At budget adoption, the district planned to use one-time funds to temporarily close a significant current year budget shortfall of more than \$100 million. For 2022-23, the district's projection shows its reserve decreasing to \$21 million, or 2.19% of its unrestricted general fund budget, under the assumption it can reduce its unrestricted expenditures by \$97.9 million. For 2023-24, the district forecasts a \$21.3 million, 2%, reserve based on additional unrestricted expenditure reductions totaling \$112.2 million; however, details of these expenditure reductions were not known at budget adoption.

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

## District Fiscal Solvency Risk Level: High

## About the Analysis

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

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and

lack of attention to these critical areas will eventually lead to a district's failure. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

In this FHRA, because San Francisco is a single-district county in which the district and the county office of education are overseen by the SPI, questions that refer to the county office of education in an oversight role should be interpreted to mean the SPI.

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.

<b>Budget and Fiscal Status: Is district currently without the following?:</b>	<b>Yes</b>	<b>No</b>
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"/>	✓

<b>Material Weakness Questions</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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 checked="" 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 checked="" 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 checked="" 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 checked="" 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 checked="" 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	0.0%
2. Budget Development and Adoption	3.1%
3. Budget Monitoring and Updates	5.9%
4. Cash Management	3.1%
5. Charter Schools	0.0%
6. Collective Bargaining Agreements	3.7%
7. Contributions and Transfers	2.0%
8. Deficit Spending (Unrestricted General Fund)	2.5%
9. Employee Benefits	1.6%
10. Enrollment and Attendance	1.0%
11. Facilities	0.2%
12. Fund Balance and Reserve for Economic Uncertainty	2.9%
13. General Fund - Current Year	2.7%
14. Information Systems and Data Management	1.0%
15. Internal Controls and Fraud Prevention	1.4%
16. Leadership and Stability	0.8%
17. Multiyear Projections	2.0%
18. Non-Voter-Approved Debt and Risk Management	1.6%
19. Position Control	1.0%
20. Special Education	2.0%

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<b>Score</b>	<b>38.4%</b>
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# 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"/>
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"/>
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><i>In the most recent audit report available (June 30, 2020), the auditor stated that comprehensive school safety plans (CSSPs) were not reviewed and approved annually in accordance with the applicable compliance requirements in 2018-19 or 2019-20. For the 2020-21 school year, the district reported creating a tracker to capture receipt of CSSPs and other related documents to ensure compliance with the CSSP requirements. At the time of FCMAT's review, the 2021 audit report was not available to assess compliance. All other prior year findings have been corrected.</i></p>			
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 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 type="checkbox"/>	<input type="checkbox"/>
2.3 Does the district use position control data for budget development? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><i>The district maintains a detailed position control report; however, staff indicated in interviews that the district uses an average cost by position rather than the actual cost by position when developing school site budgets.</i></p>			
2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><i>The district did not adjust its average daily attendance (ADA) projections to account for the hold harmless provision provided in the 2020-21 fiscal year when calculating Local Control Funding Formula (LCFF) revenue in its 2021-22 budget and multiyear</i></p>			

*projections. Consequently, the ADA projections for 2021-22, 2022-23 and 2023-24 included a 97% capture rate of enrollment, which is higher than the district's historical attendance trends.*

*The district assumed its 2020-21 enrollment total continued into the subsequent years. Using the district's enrollment estimate and adjusting down to a 95% attendance capture rate would reduce the LCFF revenue total by approximately \$6 million in both 2022-23 and 2023-24 compared to the district's 2021-22 budget amounts.*

*In addition, the district did not use the most current information available to develop its 2021-22 LCFF revenue calculations. Specifically, the district used the unduplicated count of 29,123 from the 2020-21 first apportionment rather than the count of 29,756 from its February 2021 CALPADS certified total. The resulting difference would increase the LCFF revenue by more than \$2 million in 2020-21 and 2021-22.*

- |     |  |  |
|-----|--|--|
| 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 checked="" type="checkbox"/> <input type="checkbox"/> |
| 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)? . . . . | <input type="checkbox"/> <input checked="" type="checkbox"/> |
| 2.7 | Does the district budget and expend restricted funds before unrestricted funds? . . . .  | <input type="checkbox"/> <input checked="" type="checkbox"/> |

*Significant and increasing restricted ending fund balances indicate the district did not consistently spend restricted funds before unrestricted funds. A review of unaudited actuals reports for 2018-19, 2019-20 and 2020-21 showed the following restricted ending fund balances:*

	2018-19	2019-20	2020-21
Ending Fund Balance*	65,039,187	39,757,442	84,963,542

*\* Does not include carryover amounts for unspent grants (e.g., Title I and other state and federal program funds that are not recognized as revenue until expended).*

*The district's 2021-22 first interim report shows that it projects to increase the restricted ending fund balance to \$153,637,203 (a significant increase from the \$98,777,565 projected in the 2021-22 budget).*

*FCMAT could not accurately determine the district's historical restricted carryover grant amounts; consequently, the restricted unspent amounts at year end are likely much higher than indicated in the balance above.*

- |     |   |  |
|-----|---|--|
| 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? . . . . . | <input type="checkbox"/> <input checked="" type="checkbox"/> |
| 2.9 | Has the district refrained from including carryover funds in its adopted budget? . . . .  | <input type="checkbox"/> <input checked="" type="checkbox"/> |

- 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 district's 2021-22 budget contains a negative \$11,187,362 budget in the following unrestricted general fund expenditure account: Resource 00000-Object 1309-Other Cert Admin Salaries*

*This budget amount is not consistent with the expectation for the expenditure account line, which would be a positive dollar amount. The account's prior year actuals and current year balance to date are as follows:*

*2019-20: \$6,997,443*

*2020-21: \$5,447,764*

*2021-22: \$1,140,838 (as of 11/20/2021)*

*California School Accounting Manual procedure 560 provides accounting instructions for expenditure abatements and defines allowable and unallowable expenditure abatements. Because the abatement of salaries is generally not allowed, the negative budgeted amount appears to be intended as an overall budget adjustment rather than as a budget for allowed abatements.*

- 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? . . . . . ✓

### 3. Budget Monitoring and Updates

Yes	No	N/A
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- 3.1 Are actual revenues and expenses consistent with the most current budget? . . . . . ✓
- The district's 2021-22 first interim report, as well as the 2020-21 first and second interim reports, included multiple instances in which actual revenues and expenses for the reporting period were inconsistent with projected totals.*
- For example, the 2021-22 first interim report showed a projected interfund transfers out total of \$1.414 million in the unrestricted general fund, which was less than the actual amount of \$5.438 million reported through October 31, 2021.*
- The first interim report should include budget revisions by object account code to show changes since the budget's adoption in June 2021, such as prior year carryover funds, revised funding allocations, updated enrollment/ADA estimates, and salaries and full-time equivalent (FTE) staffing adjustments.*
- 3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? . . . . . ✓
- The district did not provide FCMAT with any evidence that budget revisions are posted in the financial system at each interim report.*

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 checked="" type="checkbox"/>	<input type="checkbox"/>
<i>FCMAT reviewed the 2021-22 first interim report and the 2020-21 first and second interim reports. Because the board-approved operating budget (column b) matched the projected totals (column d) rather than the last board-approved budget, the standardized account code structure (SACS) forms did not show any differences (column e) for the budget revisions associated with the reporting period.</i>				
<i>Every interim report reviewed was incomplete and missing SACS forms. Most recently, the 2021-22 first interim report board materials included fund forms only for the unrestricted general fund, adult education, child development, and cafeteria special revenue funds.</i>				
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Do the district's responses fully explain the variances identified in the criteria and standards? . .	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
<i>The San Francisco Unified School District and the San Francisco County Office of Education are served by the same governing board and superintendent. Because of this, the state superintendent of public instruction (SPI) is legally responsible to oversee the fiscal solvency of both the district and the county office. Because both agencies operate as one organization, the SPI's oversight letters make no distinction between the solvency of the two agencies. For financial reporting purposes, the San Francisco County Office of Education's budget is tracked separately from that of the school district in the County School Service Fund.</i>				
<i>The SPI's oversight letters since 2019-20 have cautioned the district and the county office about deficit spending and requested that it identify and implement timely budget solutions to maintain fiscal solvency.</i>				
<i>Most recently, on September 15, 2021, the SPI approved the 2021-22 budget but determined the district may be unable to meet its financial obligations for the current or two subsequent fiscal years, and therefore also determined that it is no longer a going concern. The reason for the SPI's lack of going concern determination was the district's continuing projected deficit spending in the unrestricted general fund, which totaled \$116.2 million in 2022-23, resulting in a projected negative unrestricted fund balance of \$76.0 million. After a year of discussion, the district had not identified budget balancing solutions and did not submit a fiscal solvency plan as the CDE had requested for the 2020-21 budget and interim reports.</i>				
3.7	Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.8	Does the district encumber and adjust encumbrances for salaries and benefits? . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>The district does not encumber salaries and benefits.</i>				
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 checked="" type="checkbox"/>	<input type="checkbox"/>
<i>The district did not provide FCMAT evidence that balance sheet accounts in the general ledger are reconciled at least at each interim report and at year-end close.</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? . . . . . ✓

#### 4. Cash Management

	Yes	No	N/A
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- 4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? . . . . . ✓
- 4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? . . . . . ✓
- 4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? . . . . . □ ✓

*The district does not forecast its general fund cash flow into the subsequent year but reports it plans to implement FCMAT's Projection-Pro software to help develop its multiyear and cash flow projections.*

- 4.4 If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? . . . . . ✓
- 4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? . . . . . □ ✓

*According to the unaudited actuals report, the district ended 2020-21 with a negative cash balance in the following funds:*

*Fund 12 — Child Development Fund: -\$2.126 million*

*Fund 13 — Cafeteria Special Revenue Fund: -\$2.807 million*

*Fund 63 — Other Enterprise Fund: -\$134,921*

*The district should implement interfund borrowing, authorized in Education Code Section 42603, to ensure sufficient cash resources are available to support current and projected obligations in all funds.*

- 4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603? . . . . . □ ✓

*Based on the cash flow projections provided, the district has established interfund borrowing between the County School Service Fund and the general fund.*

*The district did not provide FCMAT with evidence to confirm that interfund borrowing occurs in compliance with Education Code Section 42603.*

*FCMAT acknowledges that the district and the county office operate as a single organization. However, for financial reporting purposes, the two agencies are tracked separately. Therefore, the transfer of cash for temporary borrowing may be more appropriately recorded as an interorganizational loan rather than as temporary interfund borrowing.*

- 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? . . . . . □ ✓

*The district's 2021-22 budget's cash flow projection does not include repayment of its 2020-21 tax and revenue anticipation note issued in February 2021 and due in December 2021.*

		Yes	No	N/A
<b>5. Charter Schools</b>				
5.1 Does the district have a board policy or other written document(s) regarding charter oversight? . . . . .	✓	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	
5.3 Are all charters authorized by the district going concerns and not in fiscal distress? . . . . .	✓	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
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? . . . . .	✓	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>6. Collective Bargaining Agreements</b>		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 checked="" type="checkbox"/>	
<i>The district is in various stages of negotiations with its collective bargaining units about compensation and working conditions affected by COVID-19.</i>				
6.2 Has the district settled with all its bargaining units for the current year? . . . . .	✓	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<i>At the time of FCMAT's fieldwork, the district was in discussions with several bargaining groups about compensation (including increases funded by Proposition J revenues) and working terms affected by COVID-19.</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 checked="" 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 checked="" type="checkbox"/>	
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 checked="" type="checkbox"/>	
<i>The district's voters approved Proposition G and Proposition J, which are both parcel taxes to support compensation adjustments in excess of state funding increases.</i>				
<i>According to agreements settled in 2017 for both the classified and certificated bargaining units, the district gave salary increases of 3% for 2017-18, 4% for 2018-19 and 4% for 2019-20. With the passage of Proposition G, the salary schedules were to be further increased by 2% for 2017-18 and 1% for 2018-19. In addition, increased contributions to benefits, additional hours for professional development, and other compensation enhancements were included. The corresponding COLAs were 1.56% for 2017-18, 3.7% for 2018-19 and 3.26% for 2019-20.</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 checked="" 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 checked="" type="checkbox"/>	

- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? . . . . .  ✓

*FCMAT found no documents that show certification by the superintendent and CBO subsequent to the 2017 settlement. However, board agenda items for tentative agreements involving compensation identify approval by the district's chief of labor relations and state they are pending approval by the CDE before they can be implemented.*

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

*The governing board approved several memoranda of understanding (MOUs) with bargaining units subsequent to the 2017 settlement. These MOUs are signed by the district's chief of labor relations but have no indication of the superintendent's or CBO's recommendation.*

## 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? . . . . .  ✓

*At the time of FCMAT's review, the district did not have a board-approved plan to eliminate, reduce or control any contributions or transfers from the unrestricted general fund to other restricted programs and funds.*

- 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 indicates significant contributions in Fund 12 — Child Development Fund (\$9.7 million in 2021-22) and Fund 13 — Cafeteria Special Revenue Fund (\$4.2 million in 2021-22); however, the multiyear projection indicates the interfund transfers will decrease from \$13.9 million in 2021-22 to less than \$8 million per year in 2022-23 and 2023-24.*

- 7.3 If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels? . . . . . ✓

## 8. Deficit Spending (Unrestricted General Fund)

Yes No N/A

- 8.1 Is the district avoiding deficit spending in the current fiscal year? . . . . . ✓

- 8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years? . . . . .  ✓

*The district's 2021-22 budget's multiyear financial projection shows the district is projected to deficit spend in the unrestricted general fund by \$18.3 million in 2022-23, after a projected \$97.9 million in expenditure reductions.*

*In 2023-24, the projection shows an unrestricted general fund surplus of \$359,820, after a projected \$112.2 million in expenditure reductions.*

- 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? . . . . . ✓

*As of its 2021-22 budget adoption, the district did not have a board-approved plan to reduce and/or eliminate deficit spending to ensure fiscal solvency.*

*The SPI's budget approval letter dated September 15, 2021 required the district to provide the CDE with a board-approved fiscal stabilization plan by December 15, 2021, including board-adopted budget adjustments to restore and maintain a positive fund balance and required reserve levels in 2022-23 and 2023-24.*

*The district's governing board approved a budget balancing plan on December 14, 2021, which included \$125 million in expenditure reductions to eliminate the projected deficits and restore required reserve levels.*

- 8.4 Has the district decreased deficit spending over the past two fiscal years? . . . . . ✓

*At the close of the 2018-19 and 2019-20 fiscal years, due to deficit spending, the unrestricted general fund balance decreased by \$9.6 million and \$17.7 million, respectively, compared to the prior year. However, with an influx of funds in 2020-21 masking the structural deficit, the unrestricted general fund balance increased by \$19.7 million.*

## 9. Employee Benefits

	Yes	No	N/A
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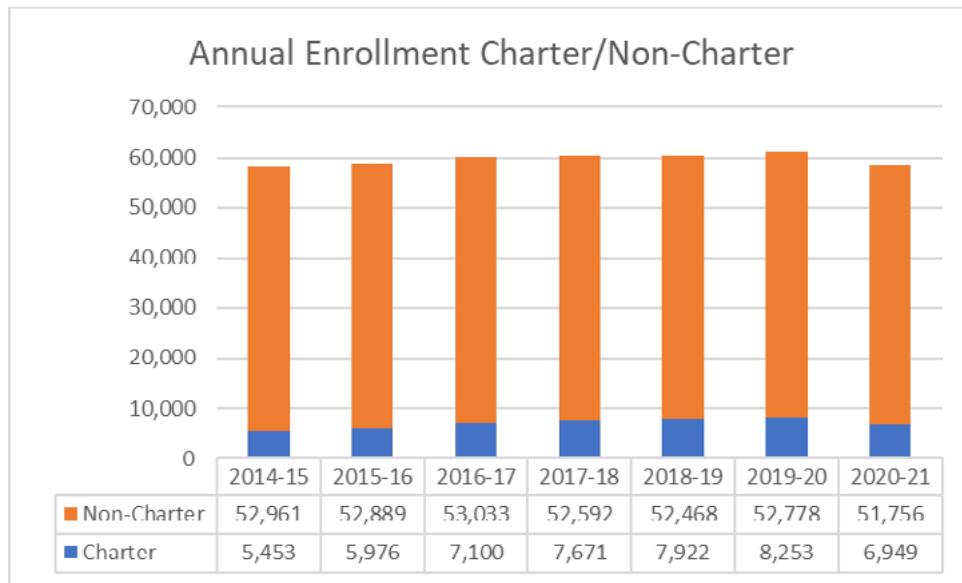
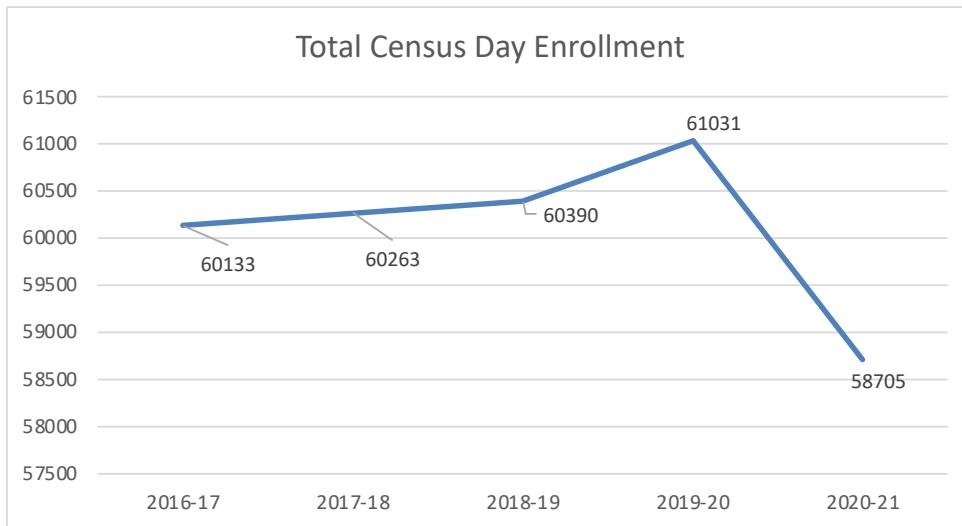
- 9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)? . . . . . ✓
- 9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (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? . . . . . ✓
- The pay-as-you-go projection from the June 2020 actuarial report indicates that the district's total cost of retiree health and welfare benefits for 2021-22 is \$36,812,212. With unrestricted general fund revenues budgeted at \$610,284,515 (2021-22 adopted budget) the required payment is more than 6% of the district's unrestricted general fund revenues for 2021-22.*
- The pay-as-you-go payments table provided in the actuarial report indicate that these payments will increase by approximately \$1.7 to 2.1 million per year through 2028.*
- 9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? . . . . . ✓
- 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? . . . . . ✓
- No evidence was provided to show that an audit to verify eligibility for benefits was performed within the last five years.*
- 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? . . . . .

*Total enrollment has increased as projected by demographic analyses and enrollment forecasts. However, because of the impact of the COVID-19 pandemic, the district experienced an enrollment decrease in the 2020-21 fiscal year.*



- 10.2 Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)? . . . . .
- 10.3 Does the district track historical enrollment and ADA data to establish future trends? . . . . .
- 10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels? . . . . .

- 10.5 Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years? . . . . . ✓
- 10.6 Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? . . . . . ✓
- 10.7 Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines? . . . . . ✓
- 10.8 Has the district planned for enrollment losses to charter schools? . . . . . ✓
- 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved? . . . . . ✓
- 10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement? . . . . . ✓

**11. Facilities****Yes**    **No**    **N/A**

- 11.1 If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account? . . . . . ✓
- 11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? . . . . . ✓
- 11.3 Does the district properly track and account for facility-related projects? . . . . . ✓
- 11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards? . . . . . □ ✓
- Facility loading varies significantly throughout the district because of its enrollment of choice policy, which allows families to choose the school they want their children to attend.*
- 11.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget? . . . . . ✓
- 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? . . . . . ✓
- 11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee? . . . . . □ ✓
- The 2019 bond audit identified exceptions for the district's contract initiation templates being out of date and for the oversight committee members exceeding their authorized term limits.*
- 11.8 Does the district have a long-range facilities master plan that reflects its current and projected facility needs? . . . . . □ ✓
- The district does not have a current facilities master plan to identify its facility needs. The district last presented its capital improvement needs to the city and county of San Francisco capital planning committee in 2016. The presentation identified more than \$1.5 billion in facility funding needs.*

<b>12. Fund Balance and Reserve for Economic Uncertainty</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
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"/>
	<i>The district's 2021-22 budget's multiyear financial projection shows a budgeted reserve of 2.19%, or \$21.0 million, in 2022-23. However, to meet the required 2% reserve standard, the district decreased its unrestricted general fund expenditures by \$97.9 million without any supporting detail or board-approved plan outlining the expenditure cuts needed to maintain the minimum reserve amount. Similarly, the district's projection shows a budgeted reserve of 2.21%, or \$21.3 million, in 2023-24, but only after assuming \$112.2 million in unrestricted general fund expenditure reductions.</i>			
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"/>
	<i>As of its 2021-22 budget adoption, the district did not have a board-approved plan to restore its reserve to required minimum levels in the 2022-23 and 2023-24 fiscal years.</i>			
	<i>The governing board subsequently approved a budget balancing plan with the 2021-22 first interim report on December 14, 2021, with \$125 million in expenditure reductions to decrease the district's projected deficits and restore required reserve levels.</i>			
12.4	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>According to the district's 2021-22 budget's multiyear financial projection, its unrestricted general fund balance is projected to decline in 2022-23 by \$18.3 million and to stabilize in 2023-24 with a modest increase of \$359,820.</i>			
	<i>As noted previously, the projection assumes the implementation of board-approved expenditure reductions in both 2022-23 and 2023-24 to maintain an unrestricted fund balance of \$22.1 million on June 30, 2024.</i>			
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? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>

<b>13. General Fund – Current Year</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
13.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The 2021-22 budget criteria and standards indicate the district is using one-time federal stimulus funds to support continuity of services and to close a significant budget shortfall (estimated at more than \$100 million) in 2021-22. These expenses will need to be reduced or shifted to available ongoing revenue sources in 2022-23.</i>			

- 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? . . .   ✓
- According to the district's 2021-22 budget, it allocated 93.9% of its general fund unrestricted expenditure budget to salaries and benefits. The statewide average for school districts as of 2019-20 (the latest data available) was 88%.*
- 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? . . . . .
- 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? . . . . .  ✓
- The district's 2021-22 budget includes an ending fund balance of \$781,651 for the Low-Performing Students Block Grant. These funds were available for expenditure or encumbrance only through June 30, 2021. The district's 2020-21 estimated actuals should have shown the grant fully expended during the 2020-21 fiscal year.*
- Similarly, the district's 2021-22 budget includes an ending fund balance of \$2,497 for the California Clean Energy Jobs Act (Proposition 39). These funds were available for encumbrance only through June 30, 2019. All projects must have been fully installed and completed by June 30, 2021. The unspent funds may need to be returned to the state.*
- Finally, the district's 2021-22 budget includes a balance of more than 1.9 million in funds for special education mental health services. Consequently, the contribution from the unrestricted general fund to the district's special education program is likely overstated by an equal amount, assuming those funds will be fully expended as in previous fiscal years.*
- 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? . . . . .  ✓
- The district's unaudited actuals for the prior three fiscal years indicate that it charges the maximum indirect cost rate to many restricted resources but excludes the special education program, which receives a contribution from unrestricted resources. Charging the maximum allowable rate would allow the district to track the full, true cost of each program. The district should charge the full indirect cost rate to all allowable restricted programs, including the special education program, even when it results in or increases the contribution from unrestricted funds.*

#### 14. Information Systems and Data Management

	Yes	No	N/A
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- 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? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>The 2019 audit report stated the district incorrectly identified 325 students as English learners (and did not have any other unduplicated count factors). This finding was corrected as of the 2020 audit report.</i>			
14.4	Is the district using the same financial system as its county office of education? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>

## 15. Internal Controls and Fraud Prevention

	Yes	No	N/A
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15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP) . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Accounts receivable (AR) . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Purchasing and contracts. . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Payroll. . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Human resources (i.e., duties relative to position control and payroll processes) . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.5	Does the district review and work to clear prior year accruals throughout the year? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.7	Does the district have processes and procedures to discourage and detect fraud? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Interviews with staff and documents received by FCMAT did not provide evidence that the district has fraud detection controls.</i>			
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? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district does not have a process for collecting reports of possible fraud.</i>			
15.9	Does the district have an internal audit process? . . . . .	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The district does not have a formal internal audit department or a documented auditing process.</i>			

<b>16. Leadership and Stability</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
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? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.2	Does the district have a superintendent who has been with the district as superintendent for more than two years? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.3	Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.4	Is training on financial management and budget provided to site and department administrators who are responsible for budget management? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.5	Does the governing board adopt and revise policies and administrative regulations annually? . ✓	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.6	Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? . . . . .	✓	<input type="checkbox"/>	<input type="checkbox"/>
16.7	Do all board members attend training on the budget and governance at least every two years? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
16.8	Is the superintendent's evaluation performed according to the terms of the contract? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>FCMAT could not locate evidence in board meeting minutes and was not provided other evidence to show that an evaluation of the superintendent was performed according to the terms of the contract.</i>			
<b>17. Multiyear Projections</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
17.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? . . . . .	✓	<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 type="checkbox"/>	✓	<input type="checkbox"/>
	<i>As detailed in item 2.4, the district's LCFF calculations appear to overestimate ADA and underestimate the unduplicated pupil count in projection years. Although a higher unduplicated pupil count would increase revenues, the overestimate of ADA would more than offset this increase, and the result would be a net decrease in revenue of approximately \$4 million per year.</i>			
17.3	Does the district use its most current multiyear projection in making financial decisions? . . . . .	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district's multiyear projections have indicated continued deficit spending for the projection years, yet the district has failed to make budget and program adjustments to balance the budget.</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 type="checkbox"/>	<input type="checkbox"/>

<b>18. Non-Voter-Approved Debt and Risk Management</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
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 annual capital lease payment for a \$33.9 million energy retrofit project is made from the special reserve fund for capital outlay, which receives an annual contribution from the unrestricted general fund.</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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>Beginning in early 2020-21, the district's credit rating was downgraded by more than one rating agency.</i>			
	<i>In August 2020, Moody's revised its outlook on the district's general obligation bonds from stable to negative and assigned an Aa2 rating, based on an "expected narrowing of the district's financial position, including its share of the city's Rainy-Day Reserve, absent substantial ongoing revenue growth and/or prompt expenditure cuts."</i>			
	<i>In August 2020, S&amp;P Global Ratings revised its general obligation bond rating outlook from stable to negative because of a "trend of declining reserves" in "an increasingly difficult revenue and operating environment."</i>			
	<i>In January 2021, Fitch downgraded the district's issuer default rating (IDR) from AA- to A+, and issued a negative IDR rating outlook, concluding that "the district's current reserves and structural budget deficit suggest that its budgets could become stressed if the district encountered a period of weakness in state funding."</i>			
	<i>In February 2021, Moody's downgraded the district's general obligation bonds from Aa2 to Aa3 and assigned issuer rating A1 because of the "likely continued narrowing of the district's financial position absent substantial budgetary adjustment."</i>			
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"/>
<b>19. Position Control</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
19.1	Does the district account for all positions and costs? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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>The district adjusts allocations to sites and certain staffing based on the levels of mult-tiered system of supports, not based solely on site enrollment. As a result, staffing ratios and per-pupil funding vary considerably from site to site.</i>			
19.3	Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? . . . . .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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? . . . . . ✓

## 20. Special Education

	Yes	No	N/A
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- 20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards? . . . . . ✓

*Although the district has developed a special education school staffing guide that outlines a consolidation process that is aligned with statutory requirements and industry standards, and contains a site staffing allocation process, staff reported adjustments are not always made in accordance with these guides.*

- 20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? . . . . . ✓

- 20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)? . . . . . ✓

*Although tools exist (e.g., transportation eligibility form, intensive individual services protocol), staff reported these resources are not used consistently to make informed decisions about whether to add services.*

- 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 does not charge indirect costs to special education, so the total costs of special education were not shown.*

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

*The district's 2020-21 unaudited actuals special education maintenance-of-effort report (Form SEMA) shows total district expenditures for special education to be \$93,406,447.65, with \$70,037,785.80, or 74.98%, as the district's contribution. The last statewide average contribution rate calculated by School Services of California, Inc. was 67.17% for the 2019-20 school year.*

- 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? . . . . . ✓

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

*Staff indicated that this analysis is performed only at year end, and FCMAT found no evidence to show that this is being done more frequently.*

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

**38.4%**

**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.)*