



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis and Multiyear Financial Projection

JUNE 15, 2022



San Dieguito Union High School District

Michael H. Fine
Chief Executive Officer



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

June 15, 2022

Tina Douglas, Interim Superintendent
San Dieguito Union High School District
710 Encinitas Blvd.
Encinitas, CA 92024

Dear Interim Superintendent Douglas:

In November 2021, the San Dieguito Union High School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance. The agreement stated that FCMAT would perform the following:

Review the district's 2021-22 first interim general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit, if any.

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

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the San Dieguito Union High School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

A handwritten signature in black ink that reads "Michael H. Fine". The signature is written in a cursive, flowing style.

Michael H. Fine
Chief Executive Officer

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About FCMAT

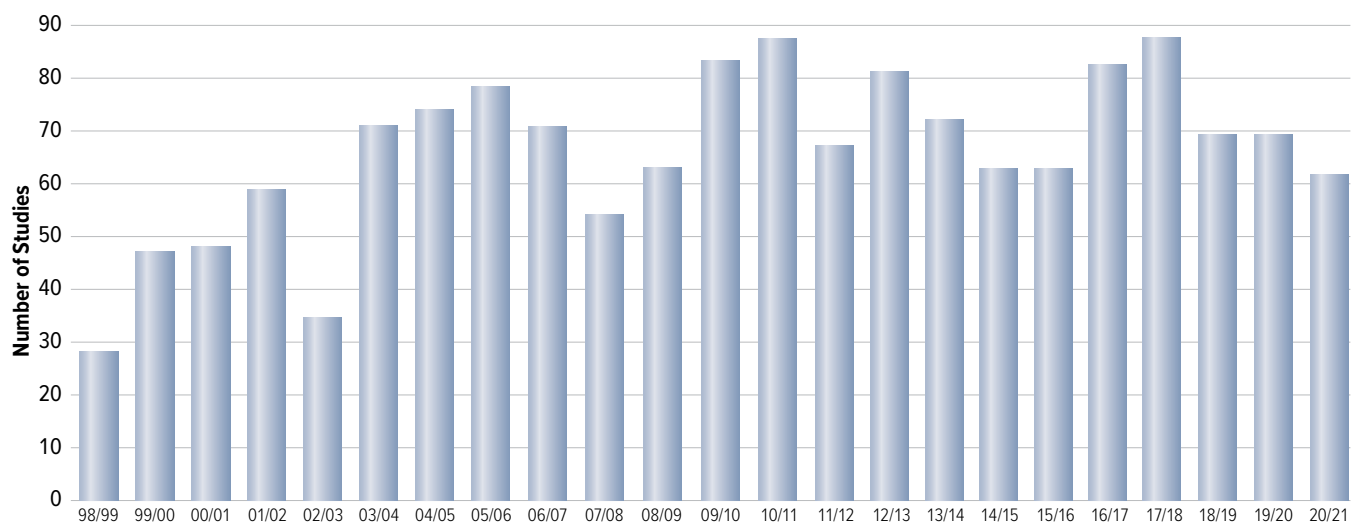
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related 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.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

Studies by Fiscal Year



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

Located in San Diego County, the San Dieguito Union High School District has a five-member governing board and serves approximately 12,700 students at 10 schools.

According to data from the California Department of Education (CDE), student enrollment had been modestly but steadily increasing each year until 2020-21, when enrollment decreased during the COVID-19 pandemic. The district's California Longitudinal Pupil Achievement Data System (CALPADS) records indicate that its 2021-22 unduplicated pupil count of students who qualify for free or reduced-price meals, are foster youth, or are English learners, was 2,664, or 20.97% of enrollment.

In November 2021, the San Dieguito Union High School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to provide management assistance by conducting a Fiscal Health Risk Analysis and reviewing the district's 2021-22 first interim general fund budget and using it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years.

Study and Report Guidelines

FCMAT visited the district on February 15-18, 2022, to conduct interviews with district and school site staff, collect data and review documents. Follow up interviews were held via teleconference on March 16 and 17, 2022. Following fieldwork, FCMAT 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 study team was composed of the following members:

Robbie Montalbano, CFE
FCMAT Intervention Specialist

Diane Branham
FCMAT Chief Analyst

Colleen Patterson, MBA, CMA
Consultant

Laura Haywood
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

One of FCMAT's main objectives in this study was to review the district's 2021-22 first interim general fund budget and develop an independent multiyear financial projection. The team reviewed numerous documents and financial reports, including the district's annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical financial information pertinent to the study. The independent MYFP was developed based on the district's 2021-22 first interim report as well as additional information from the district's financial system and staff.

District enrollment has been growing since the mid 1980s at varying paces during that time. The COVID-19 pandemic has negatively affected enrollment and average daily attendance (ADA) statewide, and this is reflected in the district's decline in enrollment in both 2020-21 and 2021-22.

The district uses an independent demographer to project enrollment. Those reports project a steady decline over the next seven years. Combined with property tax increases, the decline in enrollment will solidify the district's basic aid status. In interviews, district personnel indicated they believe the district's unduplicated pupil count will remain higher than historical percentages due to a change in the way the district collects information for the implementation of universal free meals. With only one year of data in a time of great instability, the district should monitor its unduplicated pupil count carefully and update MYFP scenarios as appropriate.

Financial planning is crucial for every local educational agency (LEA) and helps a district strategically align its budget with its instructional goals, programs and the Local Control and Accountability Plan (LCAP). Recognizing financial trends is essential to maintaining a district's fiscal health, and monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget direction and highlight possible areas of concern.

Given the COVID-19 pandemic's uncertainties, the continuing changes being made to address it, and resulting ongoing economic impacts, LEAs must be prepared for possible additional financial issues that extend beyond 2021-22. Regular and frequent budget monitoring becomes even more important in times of fiscal uncertainty. MYFPs can become somewhat less reliable in a time of fiscal instability, particularly for the subsequent fiscal years, because projected revenues from the state and federal government, and their related expenditures, may frequently change. Nonetheless, the district will need to ensure that multiyear financial and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available.

One-time funding, such as that provided by the state in prior years and federal and state COVID-19 relief funds, can temporarily mask an ongoing operational deficit. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge for LEAs and their governing boards, which have a fiduciary duty to ensure solvency.

Financial projections are based on certain assumptions and criteria, including enrollment and ADA trends, cost-of-living increases, economic conditions, and revenue and expenditure estimates. Therefore, when the underlying assumptions change, the results of the projection will change. FCMAT's MYFP includes an enrollment decline and does not remove expenditures where the district has no specific plan regarding positions established with one-time pandemic related funds. The MYFP developed by FCMAT indicates deficit spending of \$10.3 million in 2021-22, \$4.7 million in 2022-23 and \$2.2 million in 2023-24 and that the district will meet its required level of reserve for economic uncertainties in all years.

Information from interviews indicated that the funding for positions currently paid from the Elementary and Secondary School Emergency Relief (ESSER) funds will shift to other one-time funding sources, ongoing funding sources or will be eliminated when ESSER funds are no longer available. FCMAT strongly recommends that the district track ongoing commitments and monitor ending balances for these one-time resources to ensure they

do not result in an ongoing structural deficit. The district should not use one-time funds for ongoing costs unless it has a board-approved plan to fund such ongoing costs when the one-time funds are no longer available.

The 2021-22 state budget increased Local Control Funding Formula (LCFF) concentration grant funding from 50% to 65% of base LCFF funding. The additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. Beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year minimum proportionality percentage (MPP), any unused portion of supplemental and concentration grant funds must be designated and spent on specific actions to meet the MPP. Therefore, it will be important for the district to identify its core programs so that it can properly track the use of supplemental and concentration grant funds.

FCMAT also conducted a Fiscal Health Risk Analysis (FHRA) of the district. While the district's overall score places it at a moderate level of risk, the district is lacking in some key areas, which raises the overall rating to high risk. Greater detail is provided within the FHRA results in this report.

Fiscal Health Risk 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 Assembly Bill (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.

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"/>

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"/>

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"/>
	<p><i>The district's 2018-19, 2019-20 and 2020-21 audit reports each included one finding. The finding in each report pertained to vacation accruals and was identified as a significant deficiency. The 2020-21 audit report states:</i></p> <p><i>In our testing and review of the District's vacation accrual balance at year end, we noted that 78 employees out of the total population of 429 employees listed had vacation days carried over that exceeded the maximum allowed by District policy. In addition, the District's ending vacation liability balance increased an additional \$497,120 over the prior year as employees are not utilizing enough vacation hours during each fiscal year and their accrued hours are in excess of the maximum amount of hours allowed to be carried over per District policy.</i></p>			
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"/>

Interviews indicated that the district is in the process of implementing corrective actions to resolve the 2020-21 audit finding, which has been repeated in each audit since 2018-19.

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"/>
2.4	Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly? . . .	✓	<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?	✓	<input 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 type="checkbox"/>
	<i>Information from interviews indicates there is no formal input from staff, from administrators who are not in charge of a department budget, or from the governing board. Community input is limited to the LCAP process, and the district has no budget advisory committee.</i>			
2.7	Does the district budget and expend restricted funds before unrestricted funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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 type="checkbox"/>
2.9	Has the district refrained from including carryover funds in its adopted budget?	✓	<input type="checkbox"/>	<input 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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>While the usage has decreased over the past three years, the district continues to use negative expenditure budgets in teachers' salaries to represent amounts moving between resources 0000 Unrestricted, 1100 Unrestricted Lottery and 1400 Education Protection Account.</i>			
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?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district did not provide evidence of a documented policy or procedure, and information from interviews indicates that the district lacks a procedure for evaluating the potential multiyear impact of proposed grants on the district's unrestricted general fund before grants are accepted.</i>			
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>According to documents submitted by the district, many account lines have negative budget balances.</i>			
3.2	Are budget revisions posted in the financial system at each interim report, at a minimum? . . . <input checked="" type="checkbox"/>	<input type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<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 checked="" type="checkbox"/>	<input 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"/>	<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"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>According to information from interviews, the district does not prevent processing of requisitions when the budget is insufficient to support the expenditure. However, the budget is updated prior to issuing the purchase order.</i>			
3.8	Does the district encumber and adjust encumbrances for salaries and benefits? <input checked="" type="checkbox"/>	<input type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>According to board minutes, the 2019-20 first interim was not presented to the board until December 17, 2019; the 2019-20 second interim was not presented to the board until March 19, 2020; and the 2020-21 second interim was not presented to the board until March 18, 2021.</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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2	Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>The documentation provided shows that four of the district's bank accounts are reconciled monthly. However, reconciliations for the nutrition services account appear to be completed at least one to two months in arrears.</i>			
	<i>The reconciliation documents provided for cash with fiscal agent accounts do not indicate who completed the reconciliation and the completion date or who reviewed the reconciliation and the review date.</i>			

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"/>
	<p><i>The documents provided show that the district completes a cash flow projection for the current year but not for the subsequent year. However, interviews indicated that the county office prepares a two-year cash flow projection each month and sends it to the district.</i></p> <p><i>The cash flow projection prepared by the district with the 2021-22 first interim report does not indicate which months include actual revenues and expenditures.</i></p>			
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"/>
4.5	Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<p><i>Interviews indicated that the cafeteria fund has required loans due to insufficient cash resources; however, the cafeteria fund's need for loans has been reduced significantly with the implementation of universal free meals.</i></p>			
4.6	If interfund borrowing is occurring, does the district comply with Education Code Section 42603?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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?	✓	<input type="checkbox"/>	<input type="checkbox"/>

5.	Charter Schools	Yes	No	N/A
5.1	Does the district have a board policy or other written document(s) regarding charter oversight?	<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"/>	✓
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 type="checkbox"/>	✓

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"/>
	<p><i>Interviews indicated that negotiations for the current year, 2021-22, have not been completed.</i></p>			
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? ☐ ☒ ☐

Interviews indicated that the district completes a cost analysis prior to settling negotiations. However, the 2019-20 AB 1200 disclosures for the certificated and classified collective bargaining agreements indicate that the source of funding is "General Fund ongoing revenue and reserves."

- 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)? ☐ ☒ ☐

The 2019-20 funded COLA was 3.26%. The 2019-20 disclosure documentation for the certificated bargaining unit shows a total cost of 3.56%. The disclosure documentation for the classified bargaining unit shows a total cost of 4.51% and indicates that the cost includes a 1% salary increase for 2018-19 and an additional 3.5% for 2019-20.

- 6.6 If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)? ☐ ☐ ☒

- 6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? ☒ ☐ ☐

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

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

7. Contributions and Transfers

Yes No N/A

- 7.1 Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds? ☐ ☒ ☐

Contributions to restricted resources were \$18,987,912 in 2019-20, \$13,971,421 in 2020-21, and the district projects contributions to be \$17,107,469 in 2021-22. However, the district lacks a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund.

- 7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance? ☒ ☐ ☐

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

8. Deficit Spending (Unrestricted General Fund)

Yes No N/A

- 8.1 Is the district avoiding deficit spending in the current fiscal year? ☐ ☒ ☐

The 2021-22 first interim projects deficit spending of \$9,796,835 in the current fiscal year.

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

The 2021-22 first interim projects deficit spending of \$4,487,636 in 2022-23 and \$3,178,403 in 2023-24.

- 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? ☐ ☒ ☐

The district does not have a board-approved plan to reduce or eliminate deficit spending.

- 8.4 Has the district decreased deficit spending over the past two fiscal years? ☒ ☐ ☐

9. Employee Benefits

Yes No N/A

- 9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)? ☒ ☐ ☐

- 9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (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? ☒ ☐ ☐

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

Article 15 of the California School Employees Association (CSEA) bargaining agreement allows employees to carry over "a maximum of two (2) times the number of days earned yearly." However, interviews indicated that the vacation balances for numerous employees exceed the maximum days allowed. As indicated above in item 1.1 and 1.4, the district's 2018-19, 2019-20 and 2020-21 audit reports each included a finding that pertained to excessive vacation accruals, and interviews indicated that the district is in the process of implementing actions to resolve this issue.

- 9.4 Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? ☒ ☐ ☐

- 9.5 Does the district track, reconcile and report employees' compensated leave balances? ☒ ☐ ☐

10. Enrollment and Attendance

Yes No N/A

- 10.1 Has the district's enrollment been increasing or remained stable for the current and two prior years? ☐ ☒ ☐

According to the district's California Longitudinal Pupil Achievement Data System (CALPADS) 1.17 reports, enrollment has declined from 13,176 in 2019-20 to 12,704 in 2021-22.

- 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)? ☐ ☒ ☐

The district has a document that includes a comparison of P2 and annual attendance to enrollment from 1985-86 through 2021-22; however, no evidence was provided that indicates the district monitors and analyzes enrollment and ADA at least monthly through 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? ☐ ☒ ☐

School sites run attendance reports and send them to the district office monthly. If changes are subsequently made in the Aeries student information system, sites are to rerun all monthly reports and submit them to the district office at each state reporting period. Interviews indicated that district office staff review the reports for accuracy and enter information from each site report on a districtwide spreadsheet that is used for state attendance reporting. However, the spreadsheet is not compared to Aeries to verify that the spreadsheet is accurate.

- 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? ☐ ☒ ☐

The district contracts with a demographer to complete its annual enrollment projections. The Administrative Services Department uses these projections to further analyze and develop school site enrollment projections for the upcoming school year. However, interviews indicated that the projections are not received and completed in time for staffing and budgeting purposes.

- 10.7 Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines? ☒ ☐ ☐

- 10.8 Has the district planned for enrollment losses to charter schools? ☐ ☐ ☒

- 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved? ☒ ☐ ☐

- 10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement? ☐ ☐ ☒

11. Facilities Yes No N/A

- 11.1 If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account? ☒ ☐ ☐

- 11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? ☒ ☐ ☐

- 11.3 Does the district properly track and account for facility-related projects? ☒ ☐ ☐

- 11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards? ☐ ☒ ☐

The district's 2021-22 SDUHSD School Site Capacity spreadsheet shows a maximum capacity of 17,450 students; however, the district's 2021-22 enrollment is 12,704.

- 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? ☐ ☒ ☐

The district's facilities inspection reports for 2020-21 and 2021-22 indicate that each facility inspected had an overall rating of "good" or "exemplary." However, no 2020-21 facilities inspection report was provided for Sunset High School, and some of the reports did not include an inspection date and/or overall average percentage rating.

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

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

Interviews indicated that a long-range facilities master plan was developed for the 2012 general obligation bond program, but it has not been updated since that time. A capital facilities plan is maintained in-house, and a Capital Facilities Update presentation was provided to the board on June 10, 2021. However, the document does not include all the elements of a long-range facilities master plan as described by the California Department of Education (CDE) in its Essentials in School Facilities Planning document.

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? ☐ ☒ ☐

The district's 2021-22 first interim report indicates that the district's unrestricted fund balance will decrease nearly 40% over the next two years, from \$19,182,309 to \$11,516,270.

- 12.5 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level? ☐ ☐ ☒

13. General Fund – Current Year Yes No N/A

- 13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? ☒ ☐ ☐

- 13.2 Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year? ☒ ☐ ☐

- 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 district's 2019-20 and 2020-21 unaudited actuals show that unrestricted general fund salaries and benefits were 88.81% and 89.43% of the expense budget, respectively. The statewide average for all school districts was 88% in 2019-20 and 89% in 2020-21.

- | | | | | |
|------|---|--------------------------|--------------------------|--------------------------|
| 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)? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.6 | Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 13.7 | Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |

The district's 2020-21 unaudited actuals report and the budget comparative report show that the district charges the full allowable indirect cost rate to many, but not all, of its restricted resources and other funds. To show the true costs of programs, the district should budget and charge the allowable indirect costs to all restricted programs and funds, including special education, routine restricted maintenance, and the cafeteria fund.

14. Information Systems and Data Management

Yes No N/A

- | | | | | |
|------|---|--------------------------|--------------------------|--------------------------|
| 14.1 | Does the district use an integrated financial and human resources system? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | <i>The district uses one system to record financial transactions, process payroll and maintain basic human resources information. However, position control information is maintained in a system separate from the financial system.</i> | | | |
| 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? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 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 type="checkbox"/> | <input type="checkbox"/> |
| 14.4 | Is the district using the same financial system as its county office of education? | ✓ | <input 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

- | | | | | |
|------|---|--------------------------|---|--------------------------|
| 15.1 | Does the district have controls that limit access to its financial system and include multiple levels of authorization? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
|------|---|--------------------------|---|--------------------------|

The district uses the PeopleSoft financial system, which is hosted and supported by the San Diego County Office of Education. The county office grants access to various capabilities in the system at the request of the district. District staff indicated that the Human Resources Department notifies the business office when people are hired so that employees can be provided system access as necessary. However, no documentation was provided to indicate who has access to the financial system.

- 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? ☐ ✓ ☐
- No documentation was provided to indicate when access and authorization controls are reviewed and updated.*
- 15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:
- Accounts payable (AP) ☐ ✓ ☐
- Accounts payable batches are not reviewed by a supervisory employee before they are submitted to the county office for further processing. Best practice is for a supervisory employee to review all accounts payable transactions and the warrant prelist before the batch is submitted to the county office.*
- Accounts payable warrants are printed at the county office and sent to the district where they are received by the accounts payable staff who processed them. Accounts payable staff match the warrants to the backup documents and forward these items to accounts receivable staff who audit the batch, but they do not compare it to the warrant list. Once the audit is complete, warrants are returned to accounts payable staff for distribution. To provide better segregation of duties, the individual responsible for generating accounts payable warrants should not have access to them after they are printed.*
- Accounts receivable (AR) ☐ ✓ ☐
- Some checks received at the district office are given to the employee who created the invoice. This employee matches the checks to the backup documents and forwards these items to another employee who prepares the deposit. To provide better segregation of duties, the individual responsible for generating invoices should not have access to payments received for those invoices.*
- Purchasing and contracts. ✓ ☐ ☐
 - Payroll ☐ ✓ ☐
- Sites and departments enter information such as substitute and extra duty time in Digital Schools. Payroll staff review this information, upload it to Excel, and then upload it to PeopleSoft, the district's payroll system. Payroll staff are not able to adjust their own pay; however, they can adjust payroll for other employees, and interviews indicated that changes could be made to the Excel file, without anyone else knowing, before it is uploaded to PeopleSoft. In addition, payroll is not reviewed by a supervisory employee before it is submitted to the county office for further processing. Best practices are to use one system for payroll transactions and for a supervisory employee to review all transactions and the payroll prelist before payroll is submitted to the county office.*
- Payroll warrants are printed at the county office and are picked up and distributed by the staff members who processed them. To provide better segregation of duties, the individual responsible for generating payroll warrants should not have access to them after they are printed.*
- Human resources (i.e., duties relative to position control and payroll processes) ✓ ☐ ☐
- 15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year? ✓ ☐ ☐
- 15.5 Does the district review and work to clear prior year accruals throughout the year? ✓ ☐ ☐

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

Interviews indicated that the district closes its books and submits the Standardized Account Code Structure (SACS) documents to the county office timely. However, the board approved the 2019-20 unaudited actuals on September 17, 2020, rather than by the September 15 deadline prescribed in Education Code Section 42100.

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

- 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports? ☐ ☒ ☐

The district's website includes links to an anonymous hotline, WeTip, and contact information for two San Diego County resources that individuals can use to report suspicious or illegal activities and other concerns. However, the links are not in a prominent location on the website, and several individuals interviewed were not aware of these resources and/or did not know their purpose. Board Policy 3400 states "Any employee who suspects fraud, impropriety, or irregularity shall immediately report those suspicions to his/her immediate supervisor and/or the Superintendent or designee." However, interviews indicated that the district does not have a documented process to follow up on reports of possible fraud.

- 15.9 Does the district have an internal audit process? ☐ ☒ ☐

Some business office positions are assigned to oversee various financial functions, and interviews indicated that business office staff conduct routine reviews of some ASB records. However, the district does not have a formal internal audit process.

16. Leadership and Stability Yes No N/A

- 16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years? ☒ ☐ ☐

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

The superintendent started with the district on November 1, 2021.

- 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? ☐ ☒ ☐

While staff indicated that training was available if requested, no evidence was provided that indicates budget training has been provided to school site and department administrators who are responsible for budget management.

- 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? ☐ ☒ ☐

Staff indicated in interviews that newly adopted or revised policies and administrative regulations were shared with appropriate staff in various meetings; however, the district provided no evidence.

16.7	Do all board members attend training on the budget and governance at least every two years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district did not provide documentation that all board members attend training on the budget and on governance at least every two years.</i>			
16.8	Is the superintendent's evaluation performed according to the terms of the contract?	✓	<input type="checkbox"/>	<input type="checkbox"/>

17. Multiyear Projections	Yes	No	N/A
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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"/>
17.3	Does the district use its most current multiyear projection in making financial decisions?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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"/>

18. Non-Voter-Approved Debt and Risk Management	Yes	No	N/A
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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 type="checkbox"/>
	<i>The district issued Qualified School Construction Bonds in 2010 for which the annual debt service payments are approximately \$1,500,000; the district is servicing this debt from the unrestricted general fund (\$822,000 offset by a federal subsidy of \$675,000) and fund 21 (\$765,000). The district entered into a capital lease in 2018 for which the annual debt service payments are approximately \$158,000; the district is servicing this debt 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 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 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 type="checkbox"/>	<input type="checkbox"/>

19. Position Control	Yes	No	N/A
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19.1	Does the district account for all positions and costs?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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- 19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? ☐ ☒ ☐
- Maximum overall site class size averages are stipulated in the district's collective bargaining agreement with certificated employees. The district did not provide evidence of any other staffing ratios.*
- The district's enrollment has declined each fiscal year since 2019-20, and the Student Population Projections 2020/2021 Report projects that enrollment will continue to decline over the next several years. However, district staff indicated that layoffs in prior years have not occurred commensurate with the enrollment decline.*
- 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? ☐ ☒ ☐
- The district uses Digital Schools for its position control system, and it uses a separate system, PeopleSoft, to process payroll. Employee data must be manually entered in both systems, and interviews indicated that payroll information in the two systems does not always match. No evidence was provided to show an established process to reconcile the position control system with budget and payroll.*
- 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board? ☐ ☒ ☐
- Some board agenda backup documents include a funding source for new positions. However, district staff indicated that in prior years new positions were sometimes included on the monthly personnel reports to the board, but they were not identified as new positions nor was a budget source specified.*
- 19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? ☐ ☒ ☐
- Interviews indicated that new positions included on the monthly personnel reports to the board may have been ratified, rather than approved in advance as a separate agenda item. Therefore, those new positions may have been posted prior to board action.*
- 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? ☐ ☒ ☐
- Interviews indicated that human resources, payroll and budget staff do not meet regularly to discuss and improve processes.*

20. Special Education

Yes No N/A

- 20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards? ☐ ☒ ☐
- Interviews indicated that special education staffing is analyzed; however, no documentation was provided to indicate whether staffing ratios, class sizes and caseload sizes align with statutory requirements and industry standards.*
- 20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? ☒ ☐ ☐

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

Interviews indicated that a special circumstance instructional assistance (SCIA) process is used to determine whether 1-to-1 instructional assistance will be offered. However, the district did not provide evidence of appropriate tools used to help make informed decisions about whether to add other services, such as transportation or extended school year.

- 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 all its special education resources. This results in an understatement of the true costs of these programs.

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

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

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

The documents provided indicate that the maintenance of effort analysis is only performed at year end.

Risk Score, 20 numbered sections only: **36.7%**

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.)

Risk Analysis Summary

While the district's overall score of 36.7% indicates a moderate level of risk, the district is considered high risk due to the presence of certain material weaknesses in cash flow analysis, collective bargaining, deficit spending and enrollment projections. This Fiscal Health Risk Analysis identifies several areas of concern that may lead to fiscal distress. FCMAT recommends the administration and the board review the results together and create a plan to address areas of concern.

Budget and Multiyear Financial Projections

Multiyear financial projections (MYFPs) are required by AB 1200 and AB 2756 and are a part of the adoption budget and interim reporting process. Assembly Bill 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight used to monitor the fiscal position of school districts. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction and county offices of education and their ability to intervene during fiscal crises. In the case of a district that does not meet its required reserve levels, the intent of the MYFP is also to help the county office and the district formulate a plan to regain fiscal solvency and restore the reserve.

Multiyear financial projections help LEAs make more informed decisions and project the future effects of current decisions. Projections are a required part of annual budget development and must be evaluated and updated during each interim financial reporting period. They should also be updated before any significant decisions are made that affect the budget, such as salary and benefit increases. In developing and implementing its MYFPs, a district's main objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The MYFP helps identify specific planning milestones that will help the district make decisions.

Financial planning is crucial for every LEA, regardless of its size or structure. Long-term financial planning helps a district strategically align its budget with its instructional goals and programs. In addition, recognizing financial trends is essential to maintaining a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget priorities and direction and highlight possible areas of concern.

Any projection of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment trends; cost-of-living adjustments; estimates for utilities, supplies and equipment; and changing economic conditions at the state, federal and local levels. Therefore, the budget projection should be viewed and evaluated as a trend based on certain criteria and assumptions rather than as a prediction of exact numbers.

Local educational agencies statewide had to update their multiyear assumptions and projections several times during the 2020-21 and 2021-22 budget adoption processes because of the impacts of COVID-19 on the state and federal economy and the subsequent one-time funds to support LEAs and student learning. Multiyear projections can become somewhat less reliable in a time of fiscal instability, especially for the subsequent fiscal years, because projected revenues from the state and federal government, and their related expenditures, may frequently change. However, the MYFP still provides guidance for decisions that affect multiple fiscal years, and the district must continue to update and reassess the ramifications of government-imposed budget adjustments, board-adopted plans, and collective bargaining proposals.

FCMAT strongly recommends that the district track ongoing commitments and monitor ending balances for new programs, particularly those that are exceeding plan estimates and do not have ongoing funding sources.

Enrollment and Average Daily Attendance

Accurate enrollment tracking and analysis of ADA are essential to providing a solid foundation for budget planning. While the district is basic aid, or community funded, monitoring and projecting student enrollment and attendance remains a crucial function and should be done at a minimum at each reporting period to ensure the most recent data is included in budget assumptions. When enrollment and related ADA decline, the district must consider the budgetary effects of the decline on student-to-teacher ratios and plan accordingly. To ensure fiscal solvency, the district must also exercise extreme caution regarding issues such as negotiations, staffing

and deficit spending. Accurate tracking and analysis of enrollment and ADA can help the district project future revenues and control staffing expenditures to help maintain fiscal solvency.

The district contracts with a demographer to complete its annual enrollment projections. The Administrative Services Department uses these projections to further analyze and develop school site enrollment projections for the upcoming school year. The projections are provided to the business department sometime in late spring, after the deadline to potentially reduce/change staffing (March 15) and too late to use in budget development. The business department instead does its own calculations without benefit of the demographer's report. If the district cannot obtain the report earlier in the year, it should consider using the demographer's report for prospective years and CALPADS and attendance data to establish trends for current year projections.

While FCMAT's Projection-Pro software uses the cohort survival method, which groups students by grade level upon entry and tracks them through each year that they stay in school, the anomalies of 2020-21 and 2021-22 made using a pure cohort survival method unrealistic. The study team instead reviewed historical enrollment, ADA and demographer's reports to determine enrollment assumptions in the two subsequent years. Current year second period principal apportionment (P-2) data was provided by the district after interviews; however, FCMAT used the data to develop projections for this report.

Average daily attendance is used to calculate the district's LCFF and many other federal and state revenue sources. District LCFF apportionments are based on the greater of current or prior year P-2 ADA. Because of the COVID-19 pandemic, the state allowed the use of 2019-20 ADA as a proxy for 2020-21. The following table shows the district's historical enrollment, projected enrollment, historical and projected P-2 ADA, and ADA-to-enrollment ratio for each year.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22*	2022-23 Projected	2023-24 Projected
Enrollment	12,914	13,020	13,128	13,177	13,001	12,704	12,536	12,254
ADA	12,404	12,528	12,557	12,684	12,750	12,006	11,938	11,666
ADA to Enrollment %	96.05%	96.22%	95.65%	96.26%	98.07%	94.51%	95.23%	95.20%

*Sources – District's 2021-22 uncertified CALPADS reports, uncertified P-2 report as of April 2022.

Multiyear Financial Projection Assumptions

Local educational agencies use many different software products to prepare MYFPs. For the district's MYFP, FCMAT used its Projection-Pro web-based MYFP software, which was designed for California school districts and is available to LEAs free of charge.

The MYFP prepared by FCMAT uses the district's 2021-22 first interim report as the baseline and includes, where appropriate, the impact of the 2022-23 governor's state budget proposal. The study team reviewed district records, interviewed staff members, and examined financial documents to gather information to verify the base year (2021-22 first interim report) and prepare the MYFP.

Key planning factors and budget assumptions used by FCMAT to prepare the MYFP are based on the latest information available at the time the projection was completed, as shown in the following table, and are further described in the paragraphs below.

Planning Factor	2021-22	2022-23	2023-24
Statutory COLA (Department of Finance)	1.70%	5.33%	3.61%
LCFF COLA	5.07%	5.33%	3.61%
State Categorical COLA	1.70%	5.33%	3.61%
California Consumer Price Index (CPI)	5.78%	3.69%	2.90%
Interest Rate for 10-Year Treasuries	1.93%	2.50%	2.90%
California Lottery, Unrestricted per ADA	\$163.00	\$163.00	\$163.00
California Lottery, Restricted per ADA (Prop 20)	\$65.00	\$65.00	\$65.00
Mandate Block Grant, District (K-8), per ADA	\$32.79	\$34.54	\$35.79
Mandate Block Grant, District (9-12), per ADA	\$63.17	\$66.54	\$68.94
CalPERS Employer Rate	22.91%	26.10%	27.10%
CalSTRS Employer Rate	16.92%	19.10%	19.10%
Step and Column, Certificated	1.50%	1.50%	1.50%
Step, Classified	0.62%	0.62%	0.62%
Step, Certificated Management	0.91%	0.91%	0.91%
Step, Classified Management	0.89%	0.89%	0.89%
State Unemployment Insurance	0.50%	0.50%	0.20%
Indirect Cost Rate	6.87%	8.93%	7.15%

Sources: School Services of California (SSC) 2021-22 Governor's Budget Dartboard, CDE, district records.

Revenues

Projected revenue was based on validation of funding from the CDE, SSC, grant letters, and analysis of district estimates for any sources that could not be verified independently. Adjustments were made for any one-time funds or carryover from previous years.

Local Control Funding Formula

The LCFF is the funding model for school district operational funding. It was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and distribution methodology. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English learners, and foster youth).
- A concentration grant that provides an additional 65% (formerly 50%) of the base grant, multiplied by the district's percentage of disadvantaged pupils that exceeds 55% of total enrollment.

Districts must increase or improve services to unduplicated pupils by the proportion of supplemental and concentration funds to base funds that they receive. This is known as the minimum proportionality percentage (MPP). Beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year MPP, any unused portion of supplemental and concentration grant funds must be designated and spent on specific actions to meet the MPP.

Although many state categorical programs were eliminated with the establishment of the LCFF, the associated monies were moved to fund the LCFF. Full implementation of the LCFF was expected to take eight years, with districts receiving a proportionate level of funding (referred to as gap funding) during implementation. However, full implementation was achieved in 2018-19, two years earlier than anticipated, with all LEAs receiving their target allocation. After full implementation, LCFF funding is expected to be increased by the cost-of-living adjustment (COLA) only, calculated with other variable factors, such as changes in attendance and in unduplicated pupil counts.

For most districts, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's local property tax will be applied first toward the total LCFF entitlement, and the balance is funded through state aid. When a district's local property taxes meet or exceed the LCFF entitlement, the district is considered "basic aid" or community funded. Proposition 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high income taxpayers. The sales tax increase expired in 2016; the income tax increase was initially set to expire in 2018, but Proposition 55 extended it through 2030. These revenues are deposited in the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. Districts are encouraged to use the FCMAT LCFF Calculator to estimate LCFF funding.

The San Dieguito Union High School District changed from state aid to basic aid status in fiscal year 2020-21. The district budgeted a 3% increase over the prior year in secured property taxes for 2021-22 and a 3% increase in both 2022-23 and 2023-24. The district is projected to change back to state aid status in the current fiscal year as a result of the state's augmented cost-of-living adjustment of 5.07%. With declining enrollment and increasing property taxes, the district is projected to once again be basic aid in both 2022-23 and 2023-24. During this time of fluctuation, it is critically important for the district to continue to monitor tax collections every month and prepare alternative budget scenarios to maintain fiscal solvency.

The COVID-19 pandemic did not have the severe negative effects on 2020-21 state revenues that were anticipated at the beginning of the pandemic, and state revenues recovered more quickly than expected. The 2021-22 enacted state budget provided a COLA of 5.07% on LCFF base grants and increased the concentration grant from 50% to 65%. The additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. Many new one-time and ongoing categorical programs were created, with various qualification criteria, reporting requirements and expenditure deadlines. In addition, the cash deferrals of principal apportionment payments that began in June 2020 were eliminated, and all prior year deferrals were repaid by August 2021.

In completing its analysis, FCMAT used the v.23.1a version of its LCFF calculator (updated April 2022). FCMAT projected and used lower ADA in subsequent years than the district projected. This, coupled with increased property tax estimates resulted in an increase over district projections of approximately \$1.2 million in total LCFF funding in 2022-23 and an increase of \$2.5 million in 2023-24.

	2021-22		2022-23		2023-24	
	District	FCMAT	District	FCMAT	District	FCMAT
COLA	5.07%	5.07%	2.48%	5.33%	3.11%	3.61%
Funded ADA	12,656.26	12,744.01	12,145.12	12,010.35	12,145.22	11,942.02
UPP	15.85%	15.84%	18.40%	16.60%	21.00%	17.65%
LCFF Entitlement	\$126,630,152	\$127,499,085	\$125,680,119	\$127,260,796	\$130,159,576	\$131,336,105
Total Funding	\$129,364,909	\$129,374,106	\$133,367,798	\$134,521,925	\$137,283,781	\$139,769,494

Sources: District LCFF Calculator, District 2021-22 First Interim Budget, FCMAT LCFF Calculator.

Federal Revenues

Federal funding amounts were reviewed, verified when possible, and adjusted as appropriate in the base year. According to information provided by the district, the only one-time federal revenues included in the budget are associated with COVID relief funds. Special education funds were adjusted based on projections provided to the district by the Special Education Local Plan Area (SELPA). For all other revenues, FCMAT removed prior year carryover amounts and assumed unchanged funding levels for federal programs, with no COLA in 2022-23 and 2023-24. FCMAT increased federal revenues by a total of \$0.8 million in 2021-22.

Other State Revenue

Mandate Funding

Projections for the ongoing Mandate Block Grant are based on FCMAT's projection of ADA for 2021-22 and subsequent years. Funding is calculated based on per-ADA amounts from the SSC Dartboard, with COLA applied in the subsequent years. Receipt of Mandate Block Grant funds is contingent on the district filing a funding application each year with the CDE.

Lottery

FCMAT projected lottery revenues for 2021-22 and subsequent years based on projected annual ADA, multiplied by \$163.00 for unrestricted and by \$65.00 for restricted lottery instructional materials, per the SSC Dartboard. Lottery funding is initially allocated using the prior year's annual ADA and adjusted in the subsequent fiscal year based on current year annual ADA.

State revenues were increased in 2021-22 by \$4.3 million to match budget amounts to award notifications and to adjust some revenues to actual amounts received to date. Included is \$2.3 million in Educator Effectiveness funds awarded to the district, \$1.15 million for the Career Technical Education Incentive Grant (CTEIG) Program and approximately \$0.9 million in A-G Completion Improvement grants.

The district has balances in several resources representing unspent grant funds, with either static or increasing ending balances. Listed below are these programs and their estimated balances as of June 30, 2022:

Resource	Description	Balance
3010	Title I, Part A	\$57,444
3182	ESSA School Improvement for LEAs	\$89,784
3305	Special Ed: ARP IDEA	\$417,867
6300	Restricted Lottery	\$1,624,199
6387	CTEIG	\$1,150,000
6546	Mental Health Related Services	\$121,166
6690	Tobacco-Use Prevention Education	\$27,946
	Total	\$3,488,406

Other Local Revenue

The district receives local revenues from interest earnings, leases and rentals, fees and contracts, donations, and other miscellaneous sources. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, consider historical trend data and identify revenues that are one-time. These budget items should also be monitored and updated throughout the year based on amounts received to date.

The FCMAT study team reviewed the district's budgeted amounts for reasonableness using the prior two years' actual revenues and 2021-22 year-to-date actual receipts. Amounts attributed to the sale of equipment and supplies, use of facilities, all other fees and contracts, miscellaneous revenue and other local revenue and donations were adjusted in 2021-22 based on year-to-date actual revenues; these were considered to be one-time and were eliminated in the subsequent years of the projection unless historical receipts justified ongoing treatment. The amount budgeted for interest revenue was found to be reasonable and was considered to be ongoing in the subsequent years of the projection, adjusted by the rate of increase in the interest rate for 10-year treasuries per the SSC Dartboard.

One exception is the transfer of apportionment from the SELPA to the district, which is considered other local revenue. FCMAT adjusted these amounts based on projections from the SELPA.

Transfers In

Included in the MYFP is a transfer in from the Building Fund (Fund 21) to offset the solar project payments.

Expenditures

FCMAT reviewed and assessed the district's expenditure assumptions and projections based on actuals from the prior three years, board agendas, expenses to date and information provided by the district for items such as bus and vehicle purchases, other post-employment benefit (OPEB) transfers, textbook adoptions, technology replacement, special education expenses, health care costs, vacation liability payoff and the AB 86 Plan adopted by the district May 20, 2021. Interviews indicate that expenses are routinely moved from one resource to another, and that negative balance budgets are used to adjust for transfers not yet made. A file provided by the district detailing all salary reclassifications made prior to the first interim report was used to adjust projected ending balances. FCMAT's MYFP assumes that the salaries currently charged to ESSER III funds will continue to be paid from these resources through 2023-24, and they will need to be funded with other ongoing resources beginning in 2024-25 or eliminated.

The FCMAT analysis in the salaries section of this report includes only adjustments for staffing changes related to board actions taken through March 3, 2022, and those indicated in the district MYFP. No other adjustments for position decreases or increases are included other than those for the special education Alternative Dispute Resolution and Learning Recovery Support Program plans, which were moved into 2022-23 and 2023-24 ongoing expenses due to increased ongoing special education income.

Salaries

The district's financial software system does not generate the cost of the fiscal impact of annual step and column increases. FCMAT used information provided by district staff from Digital Schools data. Such detailed information is necessary to accurately estimate the multiyear impact of step and column costs.

FCMAT found that district documents include various percentages for annual step and column costs. For example, the 2021-22 first interim report MYFP includes a 2021-22 projection of 1.5% for certificated step and column costs and 0.6% for classified. The district's spreadsheet used to forecast step costs for budget calculated 0.91% for management but this detailed information was not used in the district's budget. Although these variances have a minor fiscal impact, a best practice is to explain any variances to ensure information is consistently presented. The FCMAT MYFP applies step and column costs of 1.5% to certificated salaries, step costs of 0.62% to classified salaries, step costs of 0.91% to certificated management salaries and 0.89% to classified management salaries.

The district staff states that the county payroll and financial system (PeopleSoft) does not have the capability to properly report the number of staff positions and vacancies. The district uses Digital Schools for its position con-

trol system, using it to identify full-time equivalents (FTEs) and savings due to partial year earnings. Interviews revealed that staff do not perform a reconciliation of the two systems.

Interviews indicate that some salary expenses are recorded in one resource while the budget resides in another resource code. At year-end, the actual expenses are moved into the correct resource. For this reason, a file containing journal entries reclassifying payroll entries July 1, 2021, through March 17, 2022, was provided by the district and used in the FCMAT MYFP. This practice eliminates staff's ability to use actual to budget expense ratios and variance analysis as internal controls.

Both ESSER and AB 86 plan expenses, other than salaries and benefits, were eliminated in FCMAT's 2022-23 and 2023-24 MYFP so that the funding could be directed to support salaries and benefits, per the budget priorities in the district MYFP.

The analysis does not include potential additional costs related to state minimum wage increases, which were increased to \$15 per hour on January 1, 2022. The district took action to increase some salaries in January, but the scope of FCMAT's work did not include an analysis to determine if additional increases will be required or if they will have a material effect on the district's budget.

Certificated Salaries

FCMAT's review of unrestricted general fund expenditures for certificated salaries indicates that the district's annual projected expenses are underbudgeted by approximately \$0.3 million, which includes partial-year savings for positions that had not yet been filled based on information provided by district staff at the time of FCMAT's fieldwork. This also includes the impact of a 25% increase given to substitute teachers as adopted by the board at the January 11, 2022, board meeting. While the board action was for six months only, FCMAT's MYFP continued the increase over the three-year ESSER Plan period, due to the continued competitive market for substitutes and availability of federal funding.

The analysis of restricted salaries indicates that annual projected expenses are overbudgeted by approximately \$0.1 million, primarily due to AB 86 and ESSER expenses.

FCMAT's projection reviewed the portion of salaries paid as of October 31, 2021, in proportion to actual salaries paid at year end in 2018-19, 2019-20 and 2020-21. 2018-19 was used to identify savings related to one-time savings in 2019-20 and 2020-21 (due to COVID-19) particularly as it relates to part-time hourly employees, extra duties, substitutes, etc. The lowest ratio of salaries paid to date was adjusted for increases and used for projection purposes. These were adjusted for additional 2021-22 expenses for programs such as independent study and summer school, which were much smaller programs in prior years.

Classified Salaries

FCMAT's review of unrestricted general fund expenditures for classified salaries indicates that annual projected expenses are underbudgeted by approximately \$0.1 million, which includes partial-year savings for positions that had not yet been filled based on information provided by district staff at the time of FCMAT's fieldwork.

The analysis of AB 86 Plan restricted salaries set aside for paraprofessionals indicates that annual projected expenses are overbudgeted by approximately \$0.4 million. It was noted that student facilitator positions were charged to this resource. Per AB 86 and for purposes of the Expanded Learning Opportunities Grant, "paraprofessional" has the same meaning as in subdivision (a) of Section 45330 of the California Education Code (EC). "Paraprofessional" means a person who assists classroom teachers and other certificated personnel in instructing reading, writing, and mathematics. A paraprofessional includes an instructional aide as defined in subdivision (a) of EC Section 45343 and a teacher aide as described in EC Section 45360. Based on the job description of the student facilitator positions, the expenses may be disallowed during the annual audit process or a program audit by the CDE.

On March 3, 2022, the board took action to eliminate 14 part-time student facilitator positions funded by the AB 86 Plan. This resulted in an ending fund balance in AB 86 funding for paraprofessionals as of June 30, 2024, of approximately \$0.2 million. These funds must be spent by September 30, 2024.

At the time of this report, \$1.3 million of paraprofessional salaries was budgeted in the unrestricted general fund. Interviews indicate that expenses are routinely moved from one income source to another. Charging classified employees to the proper funding source is of particular importance with the passage of AB 438, which modifies existing reduction in force protocols but continues to allow for 60 days' notice for layoffs that result from the expiration of a specially funded program. Exceptions may be made based on the funding source of the position. Many of the 2021-22 positions, such as the student facilitator positions, are funded by one-time money, and proper account coding is critical for flexibility to adjust to future changing financial conditions. Additionally, re-classifying salaries from unrestricted to restricted during the year end close process impedes the administration and the board's ability to make decisions about the district.

A one-time adjustment to pay off vacation liability was included in the FCMAT MYFP as well as other future staffing adjustments provided by district staff.

FCMAT's projection reviewed the portion of salaries paid as of October 31, 2021, in proportion to actual salaries paid at year end in 2018-19, 2019-20 and 2020-21. 2018-19 was used to identify savings related to one-time savings in 2019-20 and 2020-21 (due to COVID-19) particularly as it relates to part-time hourly employees, extra duties, substitutes, etc. The lowest ratio of salaries paid to date was adjusted for increases and used for projection purposes. These were adjusted for additional 2021-22 expenses for programs, such as independent study and summer school, which were much smaller programs in prior years.

Employee Benefits

FCMAT's review of the expenditures for unrestricted general fund benefits indicates that expenditures for the State Teachers' Retirement System (STRS) and the Public Employees' Retirement System (PERS) are underbudgeted by approximately \$0.4 million, workers' compensation is underbudgeted by approximately \$0.2 million and other fringe benefit accounts, excluding OPEB, are underbudgeted by an additional \$0.2 million for a net underbudgeted amount of approximately \$0.8 million in employee benefits.

The analysis of special education year-to-date expenditures indicates that health and welfare benefits are underbudgeted by approximately \$0.1 million, STRS/PERS are underbudgeted by approximately \$0.1 million, and cash in lieu of benefits is overbudgeted by approximately \$0.1 million. These amounts are partially offset by all other restricted resource fringe benefit accounts, for a net underbudgeted amount of approximately \$0.3 million.

Detailed analysis indicates that in several cases the district did not budget health and welfare, cash in lieu and STRS/PERS proportionally to salaries. Reports provided indicate this data is not maintained in the position control staffing data file, making reconciliation difficult.

FCMAT followed SSC's recommendation to reduce the unemployment rate to 0.2% in 2023-24; this assumption was not updated in the district's MYFP.

The budget for OPEB "pay as you go" expenses for current retirees for the current and subsequent two years was balanced by FCMAT to the actuarial report provided as of June 30, 2021. These adjustments were accounted for in the unrestricted general fund. This caused the certificated budget to be overbudgeted by \$0.5 million and the classified budget to be underbudgeted by \$0.1 million. The levies currently being applied to payroll and expenses charged in 2021-22 are approximately 22% of the recommended adjusted budget. For example, in the last three fiscal years the levy for OPEB "pay as you go" expenses for certificated staff has never been higher than 8.51% of total expense at first interim; as of first interim 2021-22, the levy is approximately 22% of the recommended adjusted budget. In addition, interviews indicate that the district intends to transfer \$250,000 to the OPEB trust in the current and each of the two subsequent years. Based on this information, the current certificated budget is overstated by \$0.3 million. The last three fiscal years the levy for OPEB trust expenses for

classified staff has never been higher than 23.43% of total expense at first interim; as of first interim 2021-22, the levy is approximately 75% of the recommended adjusted budget. These levies, in excess of historical rates, eliminate staff's ability to use budget expense ratios and variance analysis as internal controls. These two combined OPEB expenses are overbudgeted by approximately \$0.8 million.

Interviews indicate that district auditors requested that the district transfer \$1.25 million from fund 67, where the district was depositing OPEB levies in prior years, to fund 01. The district is making a \$1.25 million transfer from fund 01 to a trust, which FCMAT accounted for in Transfers Out (object 7299) of the MYFP, as recommended by the San Diego County Office of Education, so that expenses are not overstated.

Books and Supplies

Based on FCMAT's analysis, approximately \$0.5 million of the 2021-22 combined general fund books and supplies budget will not be expended. FCMAT's review indicates that the 2021-22 unrestricted general fund expenses for non-capitalized equipment are overbudgeted by approximately \$0.2 million. The restricted analysis indicates that books and supplies are overbudgeted by \$0.2 million, primarily from the Routine Restricted Maintenance Account (RRMA).

Interviews indicate that textbook adoptions occur within the confines of the Lottery Instructional Material funding, and funding is sufficient to meet expenses in 2022-23 and 2023-24. This activity was not in the district's MYFP. A review of 2018-19, 2019-20, 2020-21 and 2021-22 expenditures through October 31, 2021, supports that this restricted funding has been sufficient for recent textbook adoptions. The district did not identify specific adoption costs or timing of adoptions. Therefore, FCMAT included no textbook adoptions in the MYFP.

Ongoing expenses using the greater of 2018-19, 2019-20 or 2020-21 expense ratios were used as the basis for the current year projection. One-time savings in books and supply costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP. The FCMAT MYFP includes increases based on the consumer price index (CPI).

FCMAT's MYFP includes the use of all federal and state COVID-19 relief funds budgeted for books and supplies by June 2024. Both ESSER III and AB 86 Plan expenses were reduced in 2022-23 so that the funding could be directed to support salaries and benefits.

Services and Other Operating

The district's budgeting methodology appears to indicate that funds received with no spending plan are budgeted in services and other operating expenses as a placeholder until the district determines how to expend them. FCMAT's review indicates that 2021-22 unrestricted general fund expenditures for services are underbudgeted by \$0.3 million. This is primarily due to increased cost of utilities effective January 1, 2022.

The analysis of restricted resources indicates a budget overage of approximately \$1.3 million. The RRMA is overbudgeted by approximately \$0.8 million and the AB 86 Plan is overbudgeted by approximately \$0.3 million. Special education expenses indicate an overbudgeted amount of \$0.1 million related to nonpublic school (NPS) and other contracts. NPS charges are accounted for in the same major object code as legal settlements and expenses are moved to five different resources at the end of the year, making budget analysis using actual payments to date difficult, and reducing internal controls. Interviews with staff indicated, and FCMAT analysis supports, that while the NPS population served has remained relatively flat, the cost of services per pupil has consistently decreased over the four-year period.

One-time savings in services and other operating costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP in 2022-23 as ongoing expenses accounted for using the greater of 2018-19, 2019-20, or 2020-21 expenses as the basis for the projection. FCMAT's MYFP includes the use of all federal and state COVID-19 relief funds. Special education service provider expenditures were adjusted using historical data and the highest annual legal expenditures over the four-year period.

The FCMAT MYFP includes adjustments based on the CPI for all expenses, except one-time expenses and election costs as identified by district staff. District MYFP information regarding future increases to services to support district unduplicated pupils in 2022-23 and 2023-24 was used. Liability insurance has risen by 24% over the four-year period, with large fluctuations in annual expenses. For these reasons, a 10% rate was used to project MYFP insurance increases. San Diego Gas and Electric announced an 8% rate increase for electricity and a 30% increase in gas effective January 2022; therefore, FCMAT used a 10% annual increase for utilities.

Capital Outlay

The district uses a zero-based budget method for capital outlay expenses paid by the unrestricted general fund. Using historical spending patterns and current year actual expenses plus encumbrances, FCMAT's review indicates that these funds are overbudgeted by approximately \$0.2 million. The analysis of restricted resources indicates that the Routine Restricted Maintenance Program is overbudgeted by \$0.5 million.

One-time savings in capital outlay costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP in 2022-23 as ongoing expenses using the greater of 2018-19, 2019-20, or 2020-21 expenses as the basis for the projection. FCMAT's MYFP includes the use of all federal and state COVID-19 relief funds.

The district is reminded that capital expenditures from federal funds require preapproval from the CDE, which may take additional planning time.

Other Outgo/Indirect Costs

The district applied the LEA 2021-22 indirect cost rate to its federal AB 86 Plan expenses. However, many of the ESSER and AB 86 resources have had conflicting information regarding the application of indirect cost rates, and several of these resources do not allow LEAs to levy indirect costs. FCMAT reversed \$0.15 million of indirect costs budgeted to the AB 86 Plan in 2021-22 and in 2022-23 and 2023-24.

The FCMAT MYFP applies an indirect cost rate of 6.87% in 2021-22, 8.93% in 2022-23 and 7.15% in 2023-24 based on the 2020-21 unaudited actuals indirect cost rate worksheet (Form ICR). This rate was applied to all allowable programs except Special Education, AB 602, resource 6500.

Other Financing Sources/Uses

Transfers Out

The adopted budget included a transfer of \$0.1 million to contribute to the self-insurance fund. The FCMAT MYFP assumes this transfer is ongoing at the budgeted amount.

Contributions to Restricted Resources

When revenues for restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. The 2021-22 first interim report includes contributions from the unrestricted general fund to support several restricted programs including federal and state special education programs, federal mental health services, state WorkAbility I, and other restricted federal programs. Ensuring that all qualifying expenditures are appropriately coded to the applicable restricted programs helps provide maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose. However, all programs requiring a contribution from the unrestricted general fund should be reviewed to ensure they are self-sustaining. The only exceptions should be the RRMA, special education, and any restricted programs the district has made a deliberate decision to support with unrestricted general funds. The special education

program typically has insufficient state and federal funding support, and the district is required to make a 3% contribution to RRMA but chose to make an additional \$1,250,000 one-time contribution in 2021-22.

When restricted resource expenditure budgets exceeded projected revenue in the subsequent years of the MYFP, FCMAT reduced expenditures in the 4000 (books and supplies) and 5000 (services and other operating) object codes where possible to remain within the projected revenue estimates. However, this action may also affect programs by the reduction of expenditures for these items. No reductions were made in salary and benefit budgets. A contribution was made from the unrestricted general fund to balance any restricted resource for which expenditures still exceeded revenue after these adjustments. The AB 86 Plan in 2022-23 was one such program. The salaries and benefit costs exceeded identified revenue by \$0.6 million. In addition, due to increasing costs year-over-year, the district may need to reduce expenditures in several of its restricted resources in 2022-23 and/or 2023-24 to remain within the projected revenue estimates. Some of the programs that may be impacted include Carl Perkins, Title IV, the Strong Workforce Program, RRMA and other locally restricted programs.

Many districts reported reduced special education expenses during COVID-19 and have been able to take advantage of rebenching the Maintenance of Effort (MOE). Based on information from the district, the number of high-cost special needs students is relatively unchanged, while the cost per pupil is dropping, which may allow the district to rebench its MOE. Current law allows for four exceptions to reduce the current year MOE, for which the district may qualify. Information regarding the exceptions and an exemption worksheet can be found on the CDE website: <https://www.cde.ca.gov/sp/se/as/documents/leamoeexempwrksht.xls>

The following table shows projected contributions to the district's restricted resources.

	Resource Code	Base Year 2021-22	Year 2 2022-23	Year 3 2023-24
Unrestricted Resources				
Unrestricted	0000	(\$15,906,709)	(\$15,965,913)	(\$16,234,481)
Total Unrestricted		(\$15,906,709)	(\$15,965,913)	(\$16,234,481)
Restricted Resources				
ESSER III	3213	\$0	\$0	\$38,634
ESSER III - Learning	3214	\$0	\$0	\$6,374
ELO - ESSER II - State Reserve	3216	\$0	(\$79,796)	\$0
ELO - GEER II	3217	\$0	\$283,388	\$0
ELO - ESSER II - State Reserve Emergency	3218	\$0	(\$109,716)	\$0
ELO - ESSER III - State Reserve Learning Loss	3219	(\$271,844)	\$682,716	\$0
Special Ed: IDEA Private Schools	3311	\$0	\$0	\$3,729
Special Ed: IDEA Mental Health	3327	\$0	\$8,437	\$10,347
Title II Part A	4035	\$0	\$9,550	\$8,823
Educator Effectiveness (FY 2021-22)	6266	\$0	(\$2,337,986)	\$0
Special Education	6500	\$9,986,776	\$10,442,198	\$11,219,059
Special Ed - WorkAbility I	6520	\$0	\$14,560	\$13,492
Special Ed - Dispute Prevention and Resolution	6536	\$0	\$1,087	\$0
A - G Access/Success Grant	7412	\$0	(\$288,457)	(\$415,551)
A - G Learning Loss Mitigation	7413	\$0	\$288,457	\$415,551
ELO Grant	7425	\$271,844	\$2,117,601	\$0
RRMA	8150	\$5,919,933	\$4,933,874	\$4,934,023
Total Restricted		\$15,906,709	\$15,965,913	\$16,234,481

The district's 2021-22 adopted budget includes an additional contribution of \$1.25 million to the RRMA. District interviews indicated that Educator Effectiveness funds were to be used to extend the payment of salaries and benefits included in the AB 86 Plan; to support these positions another full year, a contribution of \$0.6 million was made in 2022-23.

Multiyear Financial Projection Analysis

The FCMAT study team analyzed all general fund sources and expenditure categories by resource. The unrestricted general fund summary below indicates that, without revenue increases and/or expenditure reductions, there will be projected deficit spending of \$10.3 million in 2021-22, \$4.7 million in 2022-23 and \$2.2 million in 2023-24.

To protect the district's financial solvency and eliminate deficit spending, the district will need to closely monitor projections and make choices about which expenditures and programs will continue to be funded and which will be scaled back, reconfigured or eliminated, unless an increase in ongoing funding is provided.

Unrestricted General Fund

The district's general fund budget is a combination of unrestricted general purpose dollars and restricted grants and categorical funding. However, in analyzing the district's budget much attention is focused on the unrestricted budget, in particular deficit spending and the unappropriated ending fund balance. The unrestricted general fund summary below shows FCMAT's analysis of the district's unrestricted resources and includes a column showing the study team's adjustments to the base year.

Unrestricted General Fund Summary

Description	Object Code	Base Year 2021-22	Adjust- ments to Base Year	Year 2 2022-23	Year 3 2023-24
A. Revenues					
LCFF Sources	8010-8099	129,364,909	(344,121)	134,168,607	139,416,176
Federal Revenue	8100-8299	675,000	-	675,000	675,000
Other State Revenues	8300-8599	2,833,083	(117,454)	2,708,042	2,683,054
Other Local Revenues	8600-8799	1,884,031	373,154	2,171,204	2,205,398
Total, Revenue		134,757,023	(88,421)	139,722,853	144,979,628
B. Expenditures					
Certificated Salaries	1000-1999	64,343,472	296,427	64,575,002	65,319,823
Classified Salaries	2000-2999	17,804,642	57,929	17,325,514	17,439,212
Employee Benefits	3000-3999	26,820,127	(18,998)	28,317,013	28,518,580
Books and Supplies	4000-4999	3,442,780	(246,201)	4,974,737	5,119,004
Services and Other Operating Expenditures	5000-5999	10,962,602	312,072	12,112,229	13,179,758
Capital Outlay/Depreciation	6000-6999	3,750,546	(235,813)	754,733	754,733
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	1,790,386	1,251,767	2,092,248	2,092,179
Other Outgo - Transfers of Indirect Costs	7300-7399	(765,577)	157,555	(1,040,326)	(791,574)
Other Adjustments - Expenditures				-	-
Total, Expenditures		128,148,978	1,574,738	129,111,149	131,631,715
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		6,608,045	(1,663,159)	10,611,704	13,347,914
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	765,589	-	765,589	765,589
Transfers Out	7600-7629	63,000	-	63,000	63,000
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-

Contributions	8980-8999	(17,107,469)	1,200,760	(15,965,913)	(16,234,481)
Total, Other Financing Sources/Uses		(16,404,880)	1,200,760	(15,263,324)	(15,531,892)
E. Net Increase (Decrease) in Fund Balance/Net Position		(9,796,835)	(462,399)	(4,651,620)	(2,183,978)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	28,979,144		18,719,910	14,068,290
Audit Adjustments	9793	-		-	-
As of July 1- Audited		28,979,144		18,719,910	14,068,290
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		28,979,144		18,719,910	14,068,290
Ending Balance/Net Position, June 30		18,719,910		14,068,290	11,884,312
Components of Ending Fund Balance					
Nonspendable	9710-9719	181,000		181,000	181,000
Restricted	9740	-		-	-
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	725,672		1,451,344	2,177,016
Basic Aid Reserve					
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	-		-	-
Unassigned/Unappropriated Amount	9790	17,813,238		12,435,946	9,526,296

Restricted General Fund

FCMAT has increased revenue projections to the restricted general fund by \$5.7 million over the district's first interim report. This increase includes Educator Effectiveness Block Grant, CTEIG, A-G Access/Success Grant and A-G Learning Loss Mitigation Grant. The district does not have concrete plans for expending ongoing CTEIG funds; therefore, no additional program expenses have been included in FCMAT's MYFP.

The restricted general fund summary below shows FCMAT's analysis of the district's restricted resources and includes a column showing the study team's adjustments to the base year.

As shown earlier in the report, the district has several restricted revenue sources with either constant or growing ending fund balances. Best practice is to expend the most restrictive funds first. The growing balances indicate a lack of attention to planning expenditures for restricted programs. Specifically growing balances in Title I and Mental Health Related Services indicates the full available funding is not being expended on the students generating the dollars. Staff did not indicate that the district was saving for any large one-time purchases in these programs.

Restricted General Fund Summary

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
A. Revenues					
LCFF Sources	8010-8099	807,509	99,610	907,119	907,119
Federal Revenue	8100-8299	7,826,354	803,301	4,331,171	4,367,766
Other State Revenues	8300-8599	15,419,479	4,440,656	11,448,799	11,430,339
Other Local Revenues	8600-8799	8,126,336	332,841	8,635,235	8,635,235
Total, Revenue		32,179,678	5,676,408	25,322,324	25,340,459
B. Expenditures					
Certificated Salaries	1000-1999	13,530,236	(96,250)	14,330,299	11,968,328
Classified Salaries	2000-2999	6,603,088	(373,669)	6,464,876	6,246,257
Employee Benefits	3000-3999	14,352,148	286,836	15,404,653	14,808,115
Books and Supplies	4000-4999	3,056,157	(224,731)	1,373,104	1,383,845
Services and Other Operating Expenditures	5000-5999	9,120,117	(1,315,680)	5,902,803	5,730,412
Capital Outlay/Depreciation	6000-6999	3,136,694	(522,780)	201,510	201,510
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	610,637	60,879	671,516	671,516
Other Outgo - Transfers of Indirect Costs	7300-7399	644,984	(157,555)	919,733	670,981
Other Adjustments - Expenditures				-	-
Total, Expenditures		51,054,061	(2,342,950)	45,268,494	41,680,964
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(18,874,383)	8,019,358	(19,946,171)	(16,340,505)
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	-	-	-	-
Transfers Out	7600-7629	-	-	-	-
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	17,107,469	(1,200,760)	15,965,913	16,234,481
Total, Other Financing Sources/Uses		17,107,469	(1,200,760)	15,965,913	16,234,481
E. Net Increase (Decrease) in Fund Balance/Net Position		(1,766,914)	6,818,598	(3,980,258)	(106,024)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	4,209,115		9,260,800	5,280,542
Audit Adjustments	9793	-		-	-
As of July 1- Audited		4,209,115		9,260,800	5,280,542
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		4,209,115		9,260,800	5,280,542
Ending Balance/Net Position, June 30		9,260,800		5,280,542	5,174,517
Components of Ending Fund Balance (FDs 01-60 only)					
Nonspendable	9710-9719	-		-	-

Restricted	9740	9,260,800		5,280,542	5,174,517
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	-		-	-
Unassigned/Unappropriated Amount	9790	-		-	-

Combined General Fund

The combined general fund summary below shows FCMAT's analysis of all the district's unrestricted and restricted general fund sources and includes a column showing the combined adjustments to the base year.

Combined Summary

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
A. Revenues					
LCFF Sources	8010-8099	130,172,418	(244,511)	135,075,726	140,323,295
Federal Revenue	8100-8299	8,501,354	803,301	5,006,171	5,042,766
Other State Revenues	8300-8599	18,252,562	4,323,202	14,156,841	14,113,393
Other Local Revenues	8600-8799	10,010,367	705,995	10,806,439	10,840,633
Total, Revenue		166,936,701	5,587,987	165,045,176	170,320,088
B. Expenditures					
Certificated Salaries	1000-1999	77,873,708	200,177	78,905,302	77,288,151
Classified Salaries	2000-2999	24,407,730	(315,740)	23,790,389	23,685,469
Employee Benefits	3000-3999	41,172,275	267,838	43,721,666	43,326,695
Books and Supplies	4000-4999	6,498,937	(470,932)	6,347,841	6,502,849
Services and Other Operating Expenditures	5000-5999	20,082,719	(1,003,608)	18,015,032	18,910,170
Capital Outlay/Depreciation	6000-6999	6,887,240	(758,593)	956,243	956,243
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	2,401,023	1,312,646	2,763,764	2,763,695
Other Outgo - Transfers of Indirect Costs	7300-7399	(120,593)	-	(120,593)	(120,593)
Other Adjustments - Expenditures				-	-
Total, Expenditures		179,203,039	(768,212)	174,379,643	173,312,679
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(12,266,338)	6,356,199	(9,334,467)	(2,992,591)
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	765,589	-	765,589	765,589
Transfers Out	7600-7629	63,000	-	63,000	63,000
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-

Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	-	-	-	-
Total, Other Financing Sources/Uses		702,589	-	702,589	702,589
E. Net Increase (Decrease) in Fund Balance/Net Position		(11,563,749)	6,356,199	(8,631,878)	(2,290,002)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	33,188,259		27,980,709	19,348,832
Audit Adjustments	9793	-		-	-
As of July 1- Audited		33,188,259		27,980,709	19,348,832
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		33,188,259		27,980,709	19,348,832
Ending Balance/Net Position, June 30		27,980,709		19,348,832	17,058,829
Components of Ending Fund Balance (FDs 01-60 only)					
Nonspendable	9710-9719	181,000		181,000	181,000
Restricted	9740	9,260,800		5,280,542	5,174,517
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	725,672		1,451,344	2,177,016
Basic Aid Reserve					
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	-		-	-
Unassigned/Unappropriated Amount	9790	17,813,238		12,435,946	9,526,296

Other Funds

In addition to analyzing the general fund, FCMAT completed a basic review of the district's other funds to determine their possible financial impact on the unrestricted general fund. A review of the 2020-21 unaudited actuals and the 2021-22 first interim budget found that the district does not expect any of the other funds to require contributions from the unrestricted general fund in the current or two subsequent fiscal years.

Recommendations

The district should:

1. Adopt a budget and MYFP that can identify deficit spending and meet reserve requirements in the budget and projection years to prevent fiscal insolvency.
2. Not use one-time reserves for ongoing costs or have a board-approved plan to fund such ongoing costs when the one-time funds are no longer available. Ensure that costs are closely monitored and tracked to identify its structural deficit.
3. Not use one-time reserves to provide ongoing increases in salaries or benefits.
4. Adjust its budget and MYFP to include any new board-adopted plans and items included in the adopted state budget within 45 days after the governor signs the annual state budget act.
5. Regularly evaluate external and internal factors that affect its fiscal health and use an MYFP to project their effect on the district and create multiple MYFP scenarios when needed.
6. Monitor and project enrollment and ADA at each financial reporting period to ensure the most recent data is included in its budget assumptions. Have the business department develop enrollment projections for the budget year based on actual data and trends and use the demographer report for future year projections.
7. Ensure expenses are budgeted in the correct resources and record expenses where they are budgeted.
8. Plan for expenses that need to be accommodated by other funding sources when one-time funding terminates.
9. Determine whether vacant positions will be filled, frozen or eliminated so that any associated savings can be included in the budget.
10. Charge employee positions to the correct funding sources, preserving flexibility to adapt to changing financial circumstances as prescribed in AB 438.
11. Ensure all staff costs are accounted for by reconciling position control with the budget and payroll regularly, and at least at each interim reporting period.
12. Budget using the actual historical costs for employee step and column increases and update for savings due to retirements.
13. Annually perform a review of the actual historical costs for health and welfare benefit increases to determine if the percentage applied for forecasting is reasonable or should be updated.
14. Review budgets for county office, NPS and other contract services related to special education programs more frequently, and at least at each interim reporting period.
15. Monitor the special education MOE and complete a CDE LEA MOE exemption worksheet as needed to take advantage of any rebenching opportunities, including decreases in services.
16. Use the MYFP to identify programs that may require a contribution from the unrestricted general fund in subsequent years and take any necessary action to ensure programs are self-sustaining.
17. Increase transparency by disclosing at each budget reporting period all programs that require a contribution from the unrestricted general fund instead of moving expenditures to

the unrestricted general fund. This will help ensure all stakeholders are aware of the funding allocated to these programs and avoid any supplanting issues should income increase.

18. Include an estimated annual budget for ongoing categorical programs at budget adoption, and during the year when new programs are established, and continue to adjust the budgets throughout the fiscal year as new information is provided by the grantor.
19. Ensure that all grants, entitlements and carryovers (unearned revenues) are properly updated by the time of the first interim report, and that they agree with CDE funding exhibits.
20. Ensure that restricted funds are appropriately allocated to all qualifying expenditures before expending unrestricted dollars.
21. Ensure that indirect cost rates are applied to all resources and funds that qualify.
22. Ensure that capital expenditures paid for with federal funds are preapproved by the CDE.
23. Ensure that increases to insurance rates and utilities are analyzed.
24. Ensure that all costs charged to categorical programs are within program guidelines.
25. Ensure that employee benefit rates are uniformly applied to each applicable resource.
26. Implement a five-year textbook adoption schedule that is updated every year and includes estimated costs.
27. Annually evaluate and update facility use fees to ensure full costs associated with facility use are recovered. Consistently charge a facility use fee that covers no less than the direct costs of the facility use.
28. Align contributions for OPEB to the actuarial study.
29. Reduce its RRMA expenditures and contribution to the minimum amount required.