

CMAT

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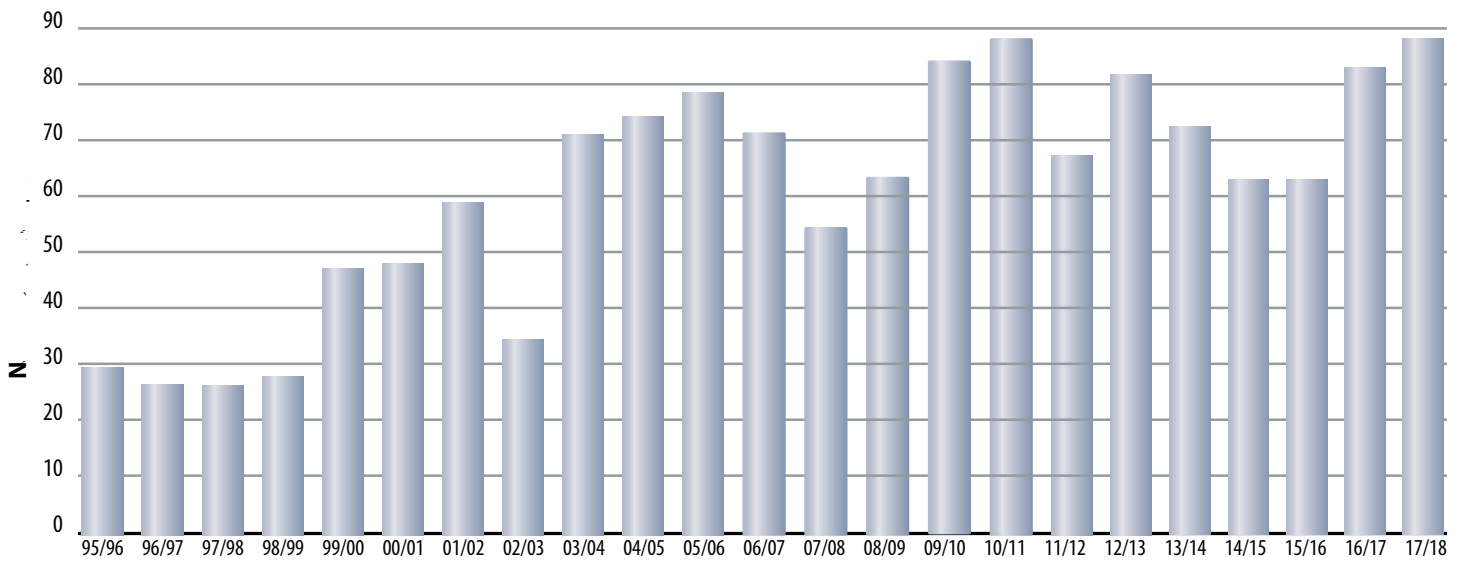
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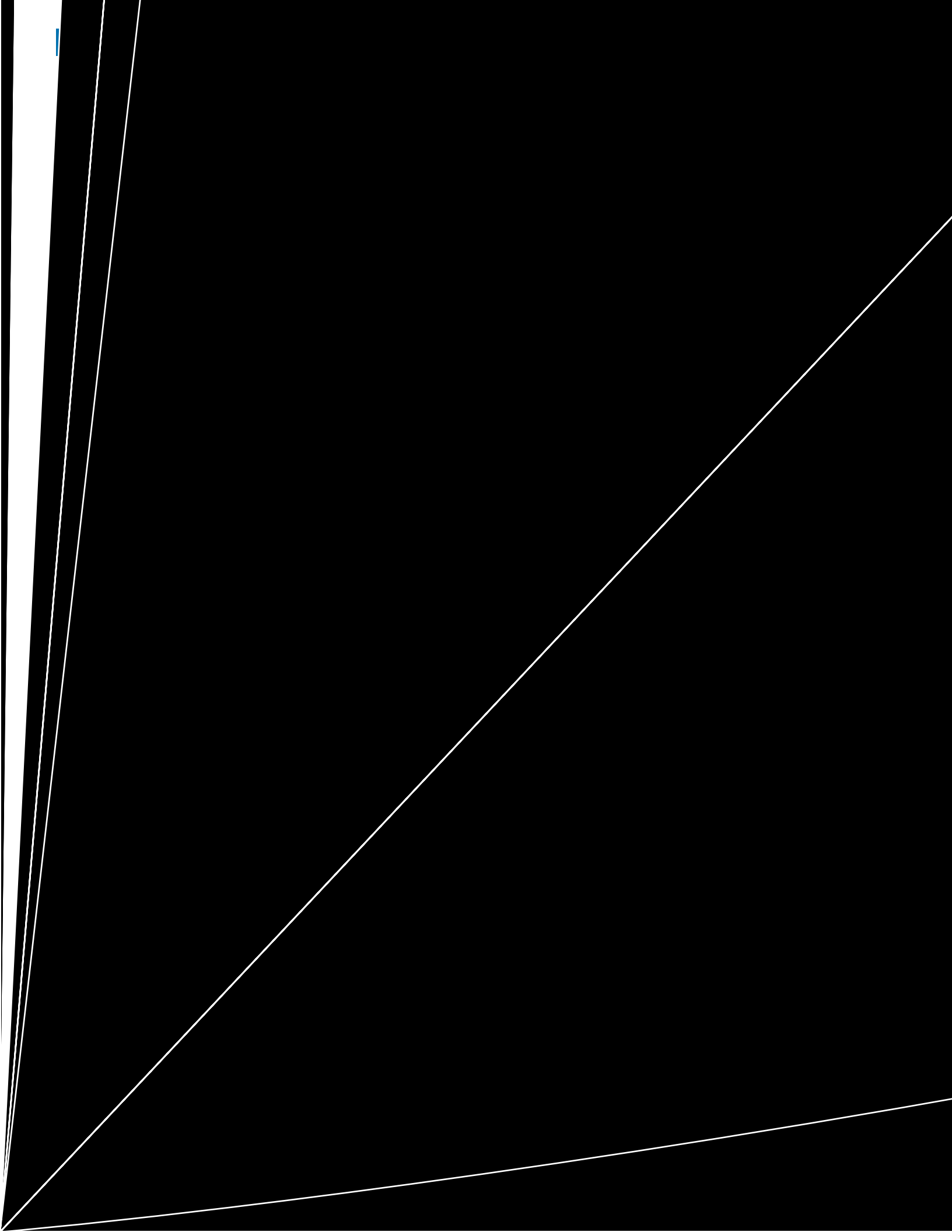
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About FCMAT

Studies by Fiscal Year







The district cited and used appropriate assumptions related to percentages and amounts per unit of average daily attendance (ADA); however, the district did not follow the guidance included in the Common Message, the governor's statement about one-time funds, or other industry-standard guidance, which expressly state not to budget one-time funding for ongoing costs. That one-time funding was an estimated \$344 per ADA at that time.

The approved state budget enacted subsequent to the May Revision decreased the one-time per-ADA funding amount from an estimated \$344 per ADA to \$185 per ADA, which created an approximately \$7.4 million deficit in the district's 2018-19 budget due to the district's action to fully commit the one-time funds to ongoing costs.

This action will also have severe impacts on future years because the one-time funding will likely be unavailable to the district, leaving a \$13.2 million deficit moving forward.

- Does the district use a budget development method other than a 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? Yes No



6.0% (2.5% and an additional 3.5% to restructure the salary schedule) effective July 1, 2018. Based on multiyear financial projections prepared at the time of the collective bargaining disclosure, it appeared that the district would be able to meet its required reserve for economic uncertainties in fiscal years 2017-18 and 2018-19 but would need to make budget reductions of approximately \$15.6 million to meet the minimum reserve requirement for fiscal year 2019-20. At that time, the district estimated that its unrestricted ending fund balance would decrease from \$73 million on July 1, 2017 to negative \$4 million on June 30, 2018 if no budget reductions were made. A budget reduction plan was not submitted with the collective bargaining disclosure.

All of this information, including the fact that the increase was not affordable as agreed to without identified budget reductions, was communicated by the county of ce to the district in a letter dated December 7, 2017 and stated publicly at a district board meeting.

- Has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA), and under gap funding if applicable?

The district entered into a multic ~ ~ ~ /

Although the district has a 24-to-1 student-to-staf ratio for K-3, and follows the class size standards in its collective bargaining agreement with SCTA for the other grade levels, its facilities department estimates that the district has approximately 20% more capacity than needed for its current student enrollment. The district closed six schools in the last seven years and reopened one.

- Does the district include facility needs when adopting a budget?

The district discusses districtwide facility needs whenever it sells general obligation bonds, which occurs approximately every two years; this does not occur on the same cycle as budget adoption.

- Has the district met the facilities inspectio" ss

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there is a potential fiscal impact for 2019-20 and beyond of a 7% increase related to salary schedule restructuring rather than the 3.5% stated in the agreement

The district's net contributions to the irrevocable OPEB trust established to pay future retiree medical benefits have averaged 31% of the amount that will be needed to ensure that total OPEB contributions equal the actuarially-defined contribution. The area of retirement benefits is a liability that the district will need to face because the costs are outpacing contributions.

General Fund - Current Year

Yes No N/A

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

As mentioned in the budget development section of this analysis, the district stated in its 2018-19 budget narrative that one-time funding was used to pay for salary increases. This action will also have severe effects on the budget in future years because the one-time funding will likely not be available in future years

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duties. One department should input the information and a different department should print warrants.

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

The payroll process appears properly supervised and monitored; however, the business department prints the warrants rather than having a separate department, such as technology, do so to ensure separation of duties. One department should input the information and a different department should print warrants.

- Human resources
- Associated student body (ASB)
- Warehouse and receiving
- Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?
- Does the district review and clear prior year accruals by first interim?
- Does the district reconcile all suspense accounts, including salaries and benefits, at least at each interim reporting period and at the close of the fiscal year?
- Has the district reconciled and closed the general ledger (books) within the i i thewith 9 clos un with of the

- Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and interim reporting periods?

It is best practice to have a position control system that is integrated with, or at least reconciled with, budget, payroll and human resources records. The district does not reconcile these records regularly to ensure that its budget represents the amount the district should set aside for such costs. In interviews, employees indicated that the number of open positions shown in financial reports is usually inflated.

At interim reporting times, the district identifies variances between budgeted and actual amounts, and salary and benefit budgets are often revised based on that analysis. By contrast, standard industry practice is to reconcile actual human resources and payroll records to ensure that only open, authorized positions are shown as such in the budget; if an open position exists that should be closed, the appropriate paperwork is completed to do so, and the budget is updated.

- Does the district identify a budget source for each new position before the position is authorized by the governing board?
- Does the governing board approve all new positions before positions are posted?

The governing board approves new positions after employees have been hired rather than before the position is authorized.

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strong position control system, and leadership issues. These factors must be addressed and remedied to avoid further erosion of the district's reserves. A solution to the district's financial situation is attainable, and all parties with an interest will need to be part of the discussion and solution. Failure to act quickly and decisively will result in imminent fiscal insolvency and loss of local control.