

# Fiscal Health Risk Analysis

## Key Fiscal Indicators



The Fiscal Health and Risk Analysis was developed by FCMAT as a management tool to evaluate key fiscal indicators that will assist a school district in measuring its financial solvency for the current and two subsequent fiscal years as recommended by AB 1200. The presence of any single criteria is not necessarily an indication of a district in fiscal crisis. However, districts exceeding the risk threshold of six or more “No” responses may have cause for concern and require some level of fiscal intervention. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain its financial solvency. A district must continually update its budget as new information becomes available from within the district or from other funding and regulatory agencies.

The Fiscal Health and Risk Analysis includes 17 components of key fiscal indicators to measure a district’s potential risk. Any of the 17 individual components receiving a simple majority of “No” responses to the questions it contains should be rated with an overall “No” response.

<i>Is the district’s fiscal health acceptable in the following areas?</i>	Yes	No	N/A
<b>1. Deficit Spending</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district avoiding deficit spending in the current year? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district avoiding deficit spending in the two subsequent fiscal years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district controlled deficit spending over the past two fiscal years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the issue of deficit spending addressed by fund balance, ongoing revenues, or expenditure reductions? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Has the board approved a plan to eliminate deficit spending?			
<b>2. Fund Balance</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district’s fund balance at or consistently above the recommended reserve for economic uncertainty? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the fund balance stable or increasing due to ongoing revenues and/or expenditure reductions? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the fund balance include any designated reserves for unfunded liabilities or one time costs above the recommended reserve level? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Reserve for Economic Uncertainty</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district able to maintain its reserve for economic uncertainty in the current and two subsequent years based on current revenue and expenditure trends? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district have additional reserves in Fund 17, Special Reserve for Non Capital Projects? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• If not, is there a plan to restore the reserve for economic uncertainties in the district’s multiyear financial projection? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Is the district's fiscal health acceptable in the following areas?</i>	Yes	No	N/A
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<b>4. Enrollment</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Has the district's enrollment been increasing or stable for multiple years? . . . . .  Yes  No  N/A
- Is the district's enrollment projection updated at least semiannually? . . . . .  Yes  No  N/A
- Are staffing adjustments for certificated and classified employee groups consistent with the enrollment trends? . . . . .  Yes  No  N/A
- Does the district analyze enrollment and average daily attendance (ADA) data? . . .  Yes  No  N/A
- Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? . . . . .  Yes  No  N/A
- Has the district implemented any attendance programs to increase ADA? . . . . .  Yes  No  N/A
- Have approved charter schools had little or no impact on the district's student enrollment? . . . . .  Yes  No  N/A
- Does the district have a board policy that attempts to reduce the effect that transfers out of the district have on the district's enrollment? . . . . .  Yes  No  N/A

<b>5. Interfund Borrowing</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Can the district manage its cash flow in all funds without interfund borrowing? . . .  Yes  No  N/A
- Is the district repaying the funds within the statutory period in accordance with Education Code section 42603? . . . . .  Yes  No  N/A

<b>6. Bargaining Agreements</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Has the district settled the total cost of the bargaining agreements at or under COLA during the current and past three years? . . . . .  Yes  No  N/A
- Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement? . . . . .  Yes  No  N/A
- Did the district correctly identify the related costs above the COLA, (i.e. statutory benefits, step and column)? . . . . .  Yes  No  N/A
- Did the district address budget reductions necessary to sustain the total compensation increase including a board-adopted plan? . . . . .  Yes  No  N/A
- Did the superintendent and CBO certify the agreement prior to ratification? . . . . .  Yes  No  N/A
- Is the governing board's action consistent with the superintendent's/CBO's certification? . . . . .  Yes  No  N/A
- Did the district submit to the county office of education the AB 1200\2756 full disclosure as required? . . . . .  Yes  No  N/A

**Is the district's fiscal health acceptable in the following areas? Yes No N/A**

**7. General Fund**

- Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average?

**Salary and Benefit Expense as a Percentage of Total Expense**  
**Unrestricted General Fund Total General Fund**

<u>Statewide Averages</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2005-06</u>
Unified	89.53%	91.26%	92.03%	91.38%	82.63%
Elementary	88.13%	89.84%	90.30%	89.95%	81.96%
High School	86.52%	88.30%	88.64%	87.92%	80.00%

*Source: School Services of California*

- Is the district making sure that only ongoing restricted dollars pay for permanent staff?
- Does the budget include reductions in expenditures proportionate to one-time revenue sources, such as parcel taxes, that will terminate in the current or two subsequent fiscal years?
- If the district receives redevelopment revenue that is subject to AB 1290 and SB 617, has it made the required offset to the revenue limit?

**8. Encroachment**

- Is the district aware of the Contributions to Restricted Programs in the current year? (Identify cost, programs and funds)
- Does the district have a reasonable plan to address increased encroachment trends?
- Does the district manage encroachment from other funds such as Adult, Cafeteria, Child Development, etc.?

**9. Management Information Systems**

- Is the district's financial data accurate and timely?
- Are the county and state reports filed in a timely manner?
- Are key fiscal reports readily available and understandable?
- Is the district on the same financial system as the county?
- If the district is on a separate financial system, is there an automated interface with the financial system maintained by the county?

<i>Is the district's fiscal health acceptable in the following areas?</i>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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<b>10. Position Control</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Does the district maintain a reliable position control system? . . . . .
- Is position control integrated with payroll? . . . . .
- Does the district control unauthorized hiring? . . . . .
- Are the appropriate levels of internal controls in place between the business and personnel departments to prevent fraudulent activity? . . . . .
- Does the district use position control data for budget development? . . . . .
- Is position control reconciled against the budget during the fiscal year? . . . . .

<b>11. Budget Monitoring</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Are budget revisions completed in a timely manner? . . . . .
- Does the district openly discuss the impact of budget revisions at the board level? . . . . .
- Are budget revisions made or confirmed by the board at the same time the collective bargaining agreement is ratified? . . . . .
- Has the district's long term debt decreased from the prior fiscal year? . . . . .
- Has the district identified the repayment sources for long term debt or non voter-approved debt, i.e. certificates of participation, capital leases? . . . . .
- Does the district's financial system have a hard coded warning regarding insufficient funds for requisitions and purchase orders? . . . . .
- Does the district encumber salaries and benefits? . . . . .

<b>12. Retiree Health Benefits</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Has the district completed an actuarial valuation to determine the unfunded liability under GASB 45 requirements? . . . . .
- Does the district have a plan for addressing the retiree benefits liabilities? . . . . .
- Has the district conducted a re-enrollment process to identify eligible retirees? . . . . .

<b>13. Leadership/Stability</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Does the district have a superintendent and/or chief business official that has been with the district more than two years? . . . . .
- Does the governing board adopt clear and timely policies and support the administration in their implementation? . . . . .

<i>Is the district's fiscal health acceptable in the following areas?</i>	Yes	No	N/A
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<b>14. Charter Schools</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Has the district identified a specific employee or department to be responsible for oversight of the charter? . . . . .
- Has the charter school submitted the required financial reports? . . . . .
- Has the charter school commissioned an independent audit? . . . . .
- Does the audit reflect findings that will not impact the fiscal certification of the authorizing agency? . . . . .
  
- Is the district monitoring and reporting the current status to the board to ensure that an informed decision can be made regarding the reauthorization of the charter? . . . . .

<b>15. Audit Report</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Did the district receive an audit report without material findings? . . . . .
- Can the audit findings be addressed without impacting the district's fiscal health? . . . . .
- Has the audit report been completed and presented within the statutory time line? . . . . .
- Are audit findings and recommendations reviewed with the board? . . . . .
- Did the audit report meet both GAAP and GASB standards? . . . . .

<b>16. Facilities</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Has the district passed a general obligation bond? . . . . .
- Has the district met the audit and reporting requirements of Proposition 39? . . . . .
- Is the district participating in the state's School Facilities Program? . . . . .
- Does the district have sufficient personnel to properly track and account for facility-related projects? . . . . .
- Has the district met the reporting requirements of the Williams Act? . . . . .
- Is the district properly accounting for the 3% Routine Repair and Maintenance Account requirement at the time of budget adoption? . . . . .
- If needed, does the district have surplus property that may be sold or used for lease revenues? . . . . .
- If needed, are there other potential statutory options? . . . . .   
  - Joint Use: Can the district enter into a joint use agreement with some entities without declaring the property surplus and without bidding?
  - Joint Occupancy: The Education Code provides for a joint venture that can authorize private development of district property that will result in some educational use.

- Does the district have a facilities master plan that was completed or updated in the last two years? . . . . .

**17. General Ledger**

- Has the district closed the general ledger (books) within the time prescribed by the county office of education?? . . . . .
- Does the district follow a year-end closing schedule? . . . . .
- Have beginning balances in the new fiscal year been recorded correctly for each fund from the prior fiscal year? . . . . .
- Does the district adjust prior year accruals if the amounts actually received (A/R) or paid (A/P) are greater or less than the amounts accrued? . . . . .
- Does the district reconcile all payroll suspense accounts at the close of the fiscal year? . . . . .

**RISK ANALYSIS**

1. Total the number of component areas in which the district’s fiscal health is not acceptable (“No” responses).
2. Use the key below to determine the level of risk to the district’s fiscal health.

<b>0 – 4</b>	<b>5 – 9</b>	<b>10 – 14</b>	<b>15 – 17</b>
Low	Moderate	High	Extremely High

<b>Total “No” Responses</b>