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President of Governing Board
Vallejo City Unified School District
665 Walnut Ave.
Vallejo, CA 94592-1177

As contracted November 16, 2022, our firm performed a non-attest function in compliance with Education Code 41320.1(a)(4) for the purpose of determining the strength of the fiscal systems of the Vallejo City Unified School District. This report is presented to satisfy this requirement.

We were not engaged to, and did not, perform a financial audit, the objective of which would be to express an opinion on the district's specified records, accounts, or items. Accordingly, our firm does not express such an opinion. Had our firm performed additional procedures, other matters may have come to our attention. These matters would have been reported to you.

However, our firm did perform certain procedures that resulted in internal control findings for the fiscal system. These findings are included in the following report.

This report is intended solely for use by the district and should not be used by anyone who has not agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

Respectfully,

A handwritten signature in blue ink, appearing to read "Caroline Larson".

Caroline A. Larson, CPA
Partner

Background: District overview

The Vallejo City Unified School District, established in 1855,¹ is a political subdivision of the State of California (the “State”) located in Solano County. Encompassing approximately 52 square miles, the district serves a population residing primarily in the City of Vallejo.² The district provides education to approximately 9,900 students in transitional kindergarten through twelfth grade, as well as students in preschool programs, adult education, and a dependent charter school. The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school.³ The district sponsors a total of six charters, including 1) Vallejo Charter School, reported in fund 09 of the district financials and included with the districts external audit report, 2) Caliber: Change Makers Academy, 3) Mare Island Technology Academy, 4) MIT Academy, 5) MIT Griffin Academy Middle and 6) Griffin Academy High. A five-member elected Board of Education governs the district.

Background: First Decade of State Control

According to journalist accounts available on the internet from local news agencies in 2004,⁴ the Vallejo City Unified School District “grossly overstated enrollment figures, underestimated salary estimates, and approved union contracts they could not afford,” sending it into fiscal distress that could only be abated by an external intervention, commonly known at the time as a “State Takeover.”

For those who have a memory that expands beyond the news reports of the time, the reasons noted were: 1) the District was not using the Solano County Office of Education financial software and the SCOE could not adequately monitor the financial activity, 2) the District was using an unproven student information system software that lost accountability for student attendance and enrollment, 3) the district did not follow an approval process for expenditures that prevented self-interested purchasing, and 4) a general lack of higher purpose to serve the needs of the students (i.e., placing the needs of self-interested adults before pupils).

From 1991 to 2004, six other districts were taken over by the State; VCUSD became the seventh. Four districts, Vallejo City, Richmond (West Contra Costa), Emeryville and Oakland, were bay area districts. Declining enrollment, unexpected reductions at the State, and student bodies with high-cost needs are some of the characteristics shared by these local educational agencies (LEAs). Only two State loans have been issued since 2004 and none after 2012.

In response to the districts inability to meet its obligations, Senate Bill 1190 (Chapter 53, Statutes of 2004) authorized an emergency state loan of \$60 million to the Vallejo City Unified School District; the appointment of a state administrator to govern the district; a comprehensive assessment and the development of an improvement plan in the operational areas of Community Relations/Governance, Personnel, Pupil Achievement, Finance and Facilities; and three six-month progress reports monitoring the progress of the district in implementing the recommendations in the improvement plan. The 2006 State Budget Act authorized FCMAT to continue using funds to produce subsequent reports. When FCMAT funds expired, the district contracted for more reports. The eighth and final report was issued

¹ General Obligation Bonds Official Statement, Election of 2018, series 2023, March 24, 2023

² See this report’s appendix, exhibit one

³ See this report’s appendix, exhibit two

⁴ Sturrock, Carrie. “How Vallejo City Got Itself \$60 million in the Red.” San Francisco Chronicle, June 28, 2004

by FCMAT on June 30, 2012. At the time of the takeover, Vallejo City's loan was the second largest, only to Oakland Unified School District, in size.

FCMAT evaluated the district from 2004 through 2023 on 415 professional and legal standards. Each standard was evaluated on a scale of 0 (not implemented) to 10 (fully implemented and sustained) as to the degree of implementation. Not every standard was evaluated in every report and for those standards assessed in the final report, the marks ranged from 4 to 8, with an average rating of 6.

District operations were restored to the local control of the Vallejo City Unified School District Governing Board on an incremental basis over time. In July 2007, the Superintendent of Public Instruction restored the board's rights, duties, and obligations for the areas of Community Relations/Governance, Personnel Management, and Pupil Achievement. The SPI returned the operational area of Facilities Management per the recommendation of the Sixth Progress Report, issued June 30, 2008. Both the Seventh and this Eighth Progress Reports focused on financial management, the only remaining operational area under state control, eight years after the initial loan. The financial management area was recommended for return to local governance as of 2012.⁵

Background: Understanding Districts in Fiscal Distress

Since inception in 1983 of our firm's public school consulting practice, our group has been involved with clients at various stages of fiscal distress. Our team has been one of many entities that help school districts with implementing best practice, separate and apart from our external audit function.

Our team of Certified Public Accountants works throughout the State with clients to avoid State apportionment loans, to navigate a process after receipt of apportionment loans, and has participated in writing a report such as this one for West Contra Costa Unified School District and Emeryville School District when they exited the process in 2011.

We view LEAs from a unique, independent perspective, finding the common ground between over 200 California Public Schools observed and enjoying the differences that make each unique. The team compiling this report has over 25 years in the industry with a multitude of entities, including charter schools, county offices of education, Special Education Local Plan Areas (SELPAs), Joint Power Authorities (JPA's), non-profits and community colleges.

Our objective is to list the most compelling risk factors such that Vallejo City Unified School District may quickly recognize the risks themselves, identify what the district is doing correctly and the areas for improvement in a priority order.

To remain vital and relevant, every organization should be in a perpetual mode of continuous learning and growing. However, having too many goals and objectives can be overwhelming. By narrowing the focus to the critical and essential, we hope this report can be a guide for many years to come.

⁵ Fiscal Crisis Management and Assistance Team, Vallejo City Unified School District Eighth Progress Report," June 30, 2012

Identifying and lowering the risk of fiscal distress requiring a State Apportionment Loan

Districts lower the risk for jeopardizing tax dollars and/or local control when the following best practices exist. The following are a list of the highest priority items. All other recommendations are a subset of these broad categories.

Eide Bailly Developed Framework for Mitigating Extreme Financial Risk

- Actions of Board members, administration and / or employees are absent of self-interest and / or criminal intent
- Actions of vendors are absent of self-interest and / or criminal intent
- District uses the County Treasury for banking services
- District uses the County Office of Education financial services software to report financial information for actuals, budget, and encumbrances
- District uses all the available modules within the County Office of Education financial information system for position control, payroll, retirement and tax reporting, cash collections, fixed assets, and vendor payments
- District televises Governing Board meetings, conforms to the requirements of the law as it pertains to open meetings, and posts minutes and recordings within two weeks of the live event
- District offers a Board agenda that increases community understanding of issues by writing narratives that describe the compliance being addressed and how the district is conforming to the requirement which includes the financial, educational, and administrative impact
- District uses reputable, sustainable software vendors for student information systems
- District does not issue non-voter approved debt such as Bond Anticipation Notes (BANs), Certificates of Participation (COPs) and capital leases
- District does not provide life-time health benefits to retired personnel
- District evaluates the financial impact of all passages of its collective bargaining contracts and continuously reviews and updates to cost contain the agreements during the bargaining process

Eide Bailly Developed Framework for Mitigating Elevated Financial Risk

- District offers an educational and co-curricular program that is recognized by the community, demonstrated by student enrollment and attendance metrics, that outpace and/or eliminate competition from charters and private schools
- District offers a safe environment, as recognized by the community, to be free of violence and/or threats, and / or has a qualified response team to address natural and preventable disasters to minimize harm
- District offers a physical environment, as recognized by the community, that is welcoming, ergonomically correct, and free of toxins
- District easily attracts and retains talent at all levels of the organization, including the Governing Board, administration, and staff
- District administration has clearly communicated a vision and mission to which all employees understand and can express, which is reflected in the district's policies, procedures, and educational, administrative, & financial activities.
- Human resources, education and business administration understand and implement the law, compliance, and best practice of their field, competently supervising their staff, and integrating their

disciplines from the executive level through the entire organization, as measured by accountability metrics, audits, and community satisfaction.

Summary of current conditions

As of the first half of calendar year 2023, when this assessment was conducted, Vallejo City Unified School District demonstrates reasonable competency in mitigating the extreme risks of solvency, apart from its retiree benefit policy. However, it is this team's assessment that the district continues to be challenged to mitigate elevated risk.

- The organization does not share a collective memory for the events that created the need for a State Loan. For those who have a memory that expands beyond the news reports of the time, the reasons noted were: 1) the District was not using the Solano County Office of Education financial software and the SCOE could not adequately monitor the financial activity, 2) the District was using an unproven student information system software that lost accountability for student attendance and enrollment, 3) the district did not follow an approval process for expenditures that prevented self-interested purchasing, and 4) a general lack of higher purpose to serve the needs of the students (i.e., placing the needs of self-interested adults before pupils). Districts that exit the State Loan process that learn and recover from the process, have a strong memory for the events leading up to the Loan and embrace a mantra of “never again.”
- The district cannot collectively, readily point to specific policies and procedures that have been put in place in recent memory that are designed to protect against another State Loan. Those who could identify strong practices referred to the first State Trustee assigned to the district and recognized that 1) restoring the financial system to the Solano County Office of Education system, 2) engaging a reputable student information system vendor and 3) having strong leadership (the State Trustee at the time) put the students and fiscal solvency before convenience and personal gain, were the three key elements to restoring confidence in the district.
- The number one barrier noted by almost all staff interviewed, to creating systemic, consistent, positive change, is the history of short-termed Superintendents. No one could name the names of the previous Superintendents or their initiatives, other than the immediate predecessor to the current Superintendent. Most staff interviewed observed that Vallejo City USD appears to be a “stepping-stone” for Superintendents. This observation resulted in a feeling that most previous Superintendents were self-interested, not committed to the community, or may have changed the positive momentum gained after the original State Trustee ended his term. Staff desire the current Superintendent to commit to the district to a term sufficient to implement systemic, sustainable change in education, human resources, and business.
- The second barrier to gaining momentum for positive change is the appearance or the actual condition whereby the district is considered inferior educationally to its neighboring districts. For example, according to the *US News and World Report* website accessed in July 2023, the Vallejo City High School ranks 14 of 15 in metro area high schools with a graduation rate of 73% and reading, math and science proficiency statistics of 25%, 12% and 8%, respectively. Jesse Bethel High School ranks 13 of 15, with a graduation rate of 87% and reading, math and science proficiency statistics of 34%, 12% and 11%, respectively. The educational program reputation is most frequently cited as a reason for Vallejo City USD enrollment declining from approximately 20,000 students in 2004 to 9,916 in 2022.

- The third barrier to becoming a destination district is the appearance or actual condition of physical safety of staff and students. Crime statistics are subject to suspicion in how they are tallied and reported; physical safety can be real or imagined. Regardless, the district is concerned about the ability of peace officers to adequately discharge their duties in an understaffed and underfunded environment. Again, the appearance and / or real safety conditions do affect parent choices for enrolling their children in public schools, thereby impacting student enrollment, staff recruitment and morale.
- When FCMAT reported on the districts condition over a decade ago, the last department to exit oversight was the financial management department of the district. The financial management of accounting and budgeting activities continues to be a concern. The district places an over-reliance on the Director of Fiscal Accountability, to monitor the condition of the district when the responsibility must be shared throughout the entire organization to articulate and participate. The governing board appears to have a reasonable understanding of the basic questions that should be asked and answered, administration can benefit from the commonsense approach offered.
- The 2022-23 year represented the first year after many, of the district reducing its reliance on accounting and budget consultants. Unfortunately, neither the consultants nor the employees adequately perform the higher-level accounting tasks required to reconcile accounts. The audit repeated the finding for three years; this assessment has quantified the problem in a more detailed way to expose the issue and the risks posed to the finances.
- The business department contracts with vendors to assist with charter and construction project accounting oversight, and temporary accounting staffing to fill the void of turnover of foundational, technical jobs. Most concerning to this assessment process is the ability of the vendors to articulate the districts issues with more insight than the district themselves. Although many vendors are reliable and trustworthy and may demonstrate more technical competence than employees, a change in vendors that lack these qualities could easily return the district to its condition of 20 years ago.
- The district could limit risk exposure by reducing retiree benefits to discontinue at age 65. Per the district's actuarial report, the district currently reports 1,359 active employees as of June 2021, of which 763 are enrolled in the medical program, while 596 waived coverage. An almost equal number of retirees are enrolled in the medical program, 730 retirees and 23 surviving spouses, of which 713 are over the age of 60, and 128 over the age of 80. The certificated bargaining unit contract offers 5 years of coverage or up to age 67, whichever occurs first. However, the classified contract offers no such cap, allowing for district-funded life-time benefits. The district pays this obligation on a pay-as-you-go basis, paying the current year obligations without annually allocating dollars to a trust fund to pay for future benefits. The future obligation increases at rate of \$4 million to \$5 million per year, totaling \$84 million as of June 30, 2022. The district does not have a trust fund created for retiree benefits but has set-aside funds in a separate governmental fund. As of July 20, 2023, the cash set-aside approximated \$6 million.⁶

⁶ See this report's appendix, exhibit three

Specific Vallejo Unified School District Activities that Elevate Financial Risk

Balance sheet review

The district must reconcile approximately 280 district balance sheet accounts, assets, and liabilities, which summarize the items the district owns and owes to source documents that include payroll and vendor payments. The net effect of recording these transactions determines the worth of the district, otherwise known as the fund balance of the district. These accounts comprise over 42,000 transactions in the fiscal year 2022-23, alone.

The disposition of these accounts determines whether the district closes the books correctly and reports the Unaudited Actuals accurately from an operational perspective. Our assessment does not set materiality limits; any item that is not owed or owned is to be accounted in its most accurate place per generally accepted accounting principles (GAAP).

The district did not interact and respond to eleven initial questions regarding these accounts that would, at a minimum, acknowledge the gravity of the issues brought forward. The district did not address this persistent audit finding that appeared in the last three audits: findings 2022-001, 2021-002, and 2020-001.

The audit team addresses this issue in a slightly different manner. The audit team uses materiality thresholds and sampling methods to determine whether the financial statements are materially presented correctly. The audit team does not reorganize the general ledger to the extent that the consulting team does; the audit team does not have the same resources to devote to the effort. Nor is it the role of the audit to do so; it is management's role to account for its transactions per GAAP.

Our consulting team delved into the details, determining that over 70 accounts, apart from overall cash in the treasury, are requiring adjustment. Some accounts are within one hundred dollars; however, many are several hundreds of thousands of dollars, and at least four accounts are in the millions, reporting different amounts than a GAAP presentation that reconciles to source documents.

In other words, some accounts increase / decrease the value of assets owned and some increase / decrease the value of liabilities owed. Examples of some of the accounts requiring the largest adjustment relate to the employer responsibility for payroll / health and welfare benefits and vendor payments.

Some of the accounts have not been reconciled completely for many years. However, our process does not require explaining or investigating every item for every year. The Eide Bailly consulting process can conclude moderately quickly by assessing what is owned and what is owed as of present day but would require the district to validate the findings with source materials. However, we cannot quantify the net effect until each item is resolved due to some items adding several millions of dollars to increase the fund balance and several items decreasing fund balance by opposing amounts. The district engaging in this conversation is also essential. This level of Eide Bailly support is beyond the scope of this assessment and the external audit because it involves reperforming district tasks that should be addressed by the district.

In the future, the district will need to assign a person or persons to perform these reconciliations monthly. Clearly, the district does not have the understanding or capacity to do this type of

reconciliation nor have the consultants previously hired as this issue has persisted for a minimum of 3 of the last audited years, and persists into the current year, 2022-23.

Student Enrollment

Student enrollment measures public satisfaction with the educational program and the safety, security, and physical housing of its students. The current public-school mandate does not ensure vitality for public schools. Public schools must demonstrate competence vis-a-vis competitors such as home schooling, charter schools, and private schools to attract and retain *all* students. A mix of students is needed not only for diversity, inclusion, access, and equity, but also to provide an economic mix of cost per student served. Alternatively said, public schools must serve more than the mandated and / or high-cost populations. Current school funding is insufficient for such a model.

A minimum number and subject matter experts are required to operate a district and each individual site. When a district continues to constrict its student enrollment, it fails to leverage the fixed costs of site and district-wide activities. Continuous reduction without investment and improvement is not a sustainable model.

Each district needs to understand its own community, trends, socioeconomics, emigration, and immigration, supported by data, to be able to implement programs to address such.

- Vallejo City Unified School District has lost 3,825 students, from 13,741 in 2013-14 to 9,916 in 2022-23, or 28% of its enrollment. This loss equates to the enrollment of 7 elementary schools or 2 high schools or 5 middle schools worth of students over the past decade. A balance must be achieved between adding programs to attract students and shedding programs that do not align with this goal.⁷
- It appears the district receives enrollment projections directly from a demographer. A demographer is but one way to begin to understand a districts enrollment trends. The district must engage to understand the demographer's assumptions and formulas used to project from one year to the next. Demography reports are a tool to validate local assumptions. However, it is the responsibility of the district to determine whether these figures have been closely predictive to actual outcomes in the past. It is rare they can be a sole source used to inform projections.
- The district did not provide documentation with historical data to compare how students promoted from one grade to the next and how the incoming classes of TK/K compared to the outgoing graduating classes. The data should be expanded to include enrollment by demographic, school site and grade level.
- The data provided by the district does not easily lend itself to analysis. It is not a commentary on the demographer, but the way the district is utilizing the information provided. Our firm reorganized the projected data by grade and year and added the historical data available from the California Department of Education and recommends the district perform their own internal checks of a vendor's data.

⁷ See this report's appendix, exhibit four and five

- The district is unable to readily explain the unique reasons for its loss of student enrollment with data analyzed from source documents. The lack of a detailed response to this assessor, as well as to questions directed to administration by the Board at the June 21, 2023, suggests that the district needs to develop a tracking system to determine the reason for all exiting students and then implement a program to address the specific needs. Although anecdotal evidence such as the social norms of postponing starting a family to later years, lower birth rates, emigration from cities to rural areas, departure of families from California to other states, and the 30-year charter movement, affect all California public schools, it is incumbent upon each district to know and tell its own story by neighborhood, demographic, school site and grade level. The district needs to implement a program to attract and retain students; otherwise, a perpetual cycle of loss persists.

Student Attendance

California school districts are funded on student attendance but must base all costs, including staffing, on student enrollment. The funding model encourages districts to hover the attendance rate as close to 95% of enrollment to achieve the maximum revenue. A state-wide study, pre-pandemic, determined the average student illness rate is about 5% of enrollment, hence the 95% is deemed achievable. In general, elementary students achieve higher than 95%, with high school students achieving slightly lower. Pre-2020, special education students achieved close to 100% attendance.

Student attendance can be correlated to teacher attendance. Teacher attendance can be correlated to site principal competence and staff engagement. None of these factors are dependent upon socioeconomic issues or financial investment. In other words, when adults care, students follow.

By creating a culture of caring at the principal, teacher and site secretary level, most districts can resolve 90% of the attendance issues. For the remaining 10%, a natural absence rate of 5% is explainable. The remaining 5% is the time-consuming, effort-based process that includes a coordinated effort by site administration, counselors, mental health professionals, resource officers and child, welfare & attendance professionals.

Every district must study the correlation between staff and student attendance and take corrective action at the adult level first. Next, the district must determine which sites and grade levels need the most intervention and why. The conversation must be data-driven and a *daily* focus from the Executive Cabinet to the site level contact with students.

Foundational attendance improvement strategies include holding every teacher accountable for taking attendance within the period taught. The site secretary is not the supervisor of the teacher; when a secretary intervention is insufficient, then administration must intervene.

It is unclear how the district is addressing the student attendance decline that was slowly degrading pre-2020 and has taken a precipitous drop post-2020.

- The district overall attendance rate declined over two percentage points from 93.43% in 2013-14 to averaging approximately 91% in 2017-18 through 2019-20, pre-pandemic. For the past two years, 2021-22 and 2022-23, the district lost an additional 10% of its student attendance. This twelve percent loss, using 2022-23 enrollment figures would equate to 1,190 students. Should the district

restore attendance to 2013-14 levels of 93%, the resulting revenue, at approximately \$15,000 per student, would be almost \$18 million of new revenue without incurring cost.⁸

- The district is required to report the charter shift⁹ to the California Department of Education 2022-23 at P2 and Annual. By reporting at P2, the district is not only informing the CDE, but validating its own budget assumptions. The district did not report on the 2022-23 P2 cycle as required.
 - The district did budget a loss of 125 ADA in its LCFF calculator for Estimated Actuals 2022-23 and onward. The last audited figure was 471 students in 2019-20. The district did not provide the 2022-23 annual report of attendance to enable our firm to validate the budget assumptions to the source document.
- The loss of students to district approved charters accounts for approximately \$5.1 million¹⁰ of revenue (last audited figure from 2019-20). This annual loss could be recovered with no cost to the district when the district becomes a growth district and not a district in attendance decline. The charter shift loss calculation harms declining attendance districts, or districts whereby the growth does not offset the loss to the charters; it does not harm growth districts.

Audit Process and Adjustments

A timely audit is essential to validating district compliance on a multitude of programs and that the financial statements are fairly presented. The inability to perform the tasks and respond to an external audit completely and timely is a universal signal of concern to outside entities that evaluate the district's financial condition. Incorporating audit adjustments and the results of findings into a districts financial statement is a requirement and is part of the County Office Certification of Corrective Action adopted by the Board [E.C. 41020(j)(2)].

- The district requested an extension of its external audit process for the year ending June 30, 2022. The district also availed itself of the State Controller's Office extension for the years ending June 30, 2020, and June 30, 2021.
- The district received its external audit report February 15, 2023. 2021-22 audit adjustments were not completely posted to the beginning balance as of 2021-22 Estimated Actuals. Audit adjustments should have been reported in both the Second Interim 2022-23 and Estimated Actuals 2022-23 cycles.

Standardized Account Code Structure data (SACS DAT) file

The California Department of Education (CDE) develops cloud-based software that is required to be accessed by every California district to format their district general ledger and budget information so that it can be reported in a uniform way to district Governing Boards. The data file that is downloaded from the district financial system and uploaded into the CDE software is called the SACS DAT file.

⁸ See this report's appendix, exhibit six, seven and eight.

⁹ The charter shift refers to the student ADA that left the district for a district-sponsored charter and / or that returned to the district from a district-sponsored charter. The tracking of this data prevents the state from paying the ADA to both the district and the district – sponsored charter.

¹⁰ 471 students multiplied by the average LCFF funding per student in 2019-20 of \$10,919.

- The expectation is that the SACS DAT file (data file) is to reconcile exactly to the budgets in the Escape financial system. Tampering or manually modifying the file loses the integrity of the data reported. The following files were modified.

	First Interim 2022-23	Second Interim 2022-23	Estimated Actuals 2022-23	Budget Adoption 2023-24
Total lines in file	2,249	2,473	2,710	2,018
Number of lines altered	195	188	171	99

- The ending balances by fund and resource from the prior year Unaudited Actuals must match the financial system (Escape) beginning balances by fund and resource in object code 9791 in the new year, upon or after the date of district closing the prior year. Any subsequent audit adjustments must be posted to the financial system (Escape) in 9793 object code upon receipt of the audit report. The 9791 and 9793 object codes must align in the financial system and the SACS software for all reporting periods. Discrepancies demonstrate lack of care of streaming the data, either through manual adjustment or lack of reconciliation. Not aligning beginning balances to the prior year Unaudited Actuals and audit report fails to express the districts audited financial position and results in difficulty closing the subsequent year in SACS at a minimum and could result in poor financial management decision-making based on incorrect reporting.

	Unaudited Actuals SACS DAT file 2021-22	Beginning Balances in Escape System as of June 2023	Difference
Fund 01, Resource 5640	165,087.82	0	165,087.82
Fund 01, Resource 7028	344,618.16	297,739.00	46,879.16
Fund 01, Resource 7029		46,879.00	(46,879.00)
Fund 01, Resource 9010	853,028.82	1,018,838.00	(165,809.18)

- The district did not post audit adjustments for fair market value or the charter school apportionment payable in the 2022-23 general ledger. The district should post audit adjustments completely upon receipt of the external audit report.
- The district needs to research and clear all budgeted and actuals technical review checks (TRC's) before submitting documents to the Board for approval and the COE for review. Clearing all TRC's does not ensure the financial statements are 100% correct because the TRC's are limited in the types of items that can be audited through automation. However, by not researching all items, whether a warning or informational items, the district is not completing its due diligence and addressing the items that would improve the financial statement accuracy and presentation. Examples for the Estimated Actuals and Budget Adoption include expired resource 5640, Medi – Cal BOP and resource 1400 Education Protection Act.

Local Control Funding Formula (LCFF)

All California K12 charters and public-school districts receive tax dollars allocated by the state legislature via the funding formula implemented in 2013-14 called the Local Control Funding Formula (LCFF). The formula is a complex calculation that is based on a variety of data points, the most salient being student attendance and the unduplicated pupil count.¹¹ The student attendance is multiplied by a revenue dollar per pupil, further increased by the count of unduplicated pupils, resulting in the gross funding amount for the educational entity. The LCFF revenue usually represents 80 to 90% of the total revenue for the LEA.

The California Department of Education (CDE) is the government entity that receives student attendance and unduplicated count data from districts and charters, tax information from the state and county offices of education, and based on the state's budget, apportions the LCFF to each K12 entity. The CDE is the official source for apportionment data.

The external auditor audits district and student attendance data at the local level. Audit findings are reported to the client (the LEA) via the audit report. The client must report audit findings to the CDE by correcting their student count and attendance reports to align with the audited numbers.

Due to the complexity of the LCFF calculation, the Fiscal Crisis Management Assistance Team (FCMAT), a government agency unrelated to the CDE, created a tool for districts and charters to use to estimate their LCFF. The CDE apportionment documents are not designed to calculate future apportionment, but are to be used to validate apportionment received, or to be received, soon.

The district needs to reconcile the LCFF calculator to the audit report findings and the California Department of Education certifications at every CDE certification interval. If the district reports its data on time, then the subsequent release of CDE apportionment data should align with the district's assumptions in the LCFF calculator used to calculate the districts revenue budget.

Examples of discrepancies for the Estimated Actuals 2022-23 and Budget Adoption 2023-24 are as follows.

- The district enrollment reported in the CDE's 2022-23 apportionment and the districts LCFF calculator do not equal the same number as they should. The district LCFF calculator reports 9,961 enrolled; CDE reports student enrollment at 9,916. At this juncture, the CDE certification and district assumptions should align unless the district has certified data after the initial due date.
- The district unduplicated pupil count in the CDE's 2022-23 apportionment and the districts LCFF calculator do not equal the same number as they should. The district LCFF count reports 8,526 students; the percentage of enrollment is 85.59%. The CDE certified an unduplicated count of 8,484 and a percentage of 85.56%.

¹¹ The unduplicated count is an annual count of pupils who represent a socio-economic demographic that is measured by poverty (qualification for free and reduced meals), English Language Learners and Foster Youth. The word "unduplicated" in this context refers to each pupil being only counted once, regardless of the number of categories that pertain to them. The higher the count, the more funding the district/charter receives. The Local Control Accountability Plan (LCAP) is an annual report that each district/charter must provide to its Governing Board to describe how the entity will serve this demographic.

- The district did not adjust its 2021-22 P2 attendance report for the 1 ADA per the audit finding in 2021-22 at the first available opportunity. The next time that this number can be validated as received by the CDE is February 2024. The reporting windows to correct data are limited. When deadlines are missed, the LEA only has two opportunities per year to check whether the CDE received the data, once in February and once in June.
- The district did not adjust its 2021-22 unduplicated count per the audit finding. The next time that this number can be validated as received by the CDE is February 2024. As with the attendance report above, the reporting windows to correct data are limited. When deadlines are missed, the LEA only has two opportunities per year to check whether the CDE received the data, once in February and once in June.

Estimated Actuals and Budget Adoption, 2022-23 and 2023-24

The budget is a management tool and a major means for fiscal policy. It is the principal planning instrument for the organization, allows for community engagement, serves as a legal basis for spending public funds, affords a control for tax dollar spending, and provides a way for the LEA to be accountable to those inside and outside the organization. The public expects a linkage between resource allocation and student outcomes with evidence of academic achievement and facilities adequacy as measured by functionality and sustainability.

The budget is to reflect what the district is experiencing and what is possible and probable to attain. If the district remains on the current path budgeted, it will not achieve its 3% required reserve in 2026-27, which would be the 3rd year after the projected two presented at budget adoption, 2023-24. To say that the district is budgeting conservatively is not a remedy for a situation that would be too difficult to operationally correct within the confines of adjusting staff employment, compensation, student attendance and enrollment.

- The district should be presenting a multi-year projection for the General Fund that includes a minimum of three years, not two, beyond the Adopted Budget year. Quick math calculates that a 2026-27 unrestricted beginning balance of \$7 million plus \$15.6 million of unrestricted deficit spending yields a negative unrestricted ending fund balance \$8.6 million, *before* adjusting for non-spendable items, the 3% reserve and the LCAP carryover discussed below. However, when using the district-proposed third year out, the excess of expenditures over revenue increases to a negative unrestricted fund balance \$11.2 million in 2026-27.¹²
- When the district includes the 2022-23 LCAP carryover in the fund balance as projected, the district fails to meet its 3% reserve by \$6.7 million in 2024-25, \$22.3 million in 2025-26 and \$40.6 million in 2026-27.
 - These calculations do not include any opportunities for compensation increases for any of the projected years, including the Adoption.
 - A district in this fiscal condition should have a fiscal stabilization plan in place that is clearly articulated in the supporting documents and narrative and that every stakeholder can understand its implementation details and timeline.
 - The magnitude of this deficiency is not easily resolved; it requires a multi-year effort such that it would not impact the delivery of services to students.

¹² See this report's appendix, exhibit nine.

Budgeting process as it relates to position control and payroll

Tracking staff costs is one of the largest activities of the accounting department. The initiative to staff to the available financial resources must be a collaborative effort at the Executive Cabinet and be a high priority throughout the support staff of all three departments. All three departments should be able to articulate staffing ratios to students for all categories of employees, not only teachers. Full-time equivalents for every job class should be clear year over year so that all departments can monitor; it is not the job of one department to carry the financial burden of the district. Funding for all job classes, vacancies that are budgeted, and the positions that will not be renewed should be familiar to all departments and articulated in the same way. The district needs to budget for vacancies that *can and will be filled*, for compensation changes accurately and promptly and adjust through attrition to prevent a continuous threat of layoffs.

- The district should be preparing a document that compares prior year actuals with current year payroll and position control with the future year position control to determine whether payroll reflects position control and vice versa. When comparing the final payroll that posted to the budgeted payroll at Estimated Actuals 2022-23, many restricted resources compensation budgets did not follow to plan. In the teacher category alone, (fund 01, 11xx object) over \$3.6 million was unspent in pandemic and federal title resources when compared to budget. In the total General Fund employee compensation categories (1000-3999 objects), the salaries and benefits budgets are overstated by \$8.5 million. The district needs to be using the latest information that includes compensation changes. The business, human resources, and educational services program managers need to monthly discuss vacancies and the status of recruitments with the aim of adjusting the budget accordingly. It is evident at the Budget Adoption June 21, 2023, Board meeting that the Governing Board recognizes the discrepancies between district plans and executed plans and desires management to hold itself accountable and present financial plans that are reflective of what is achievable.
- When asked to provide the support for the employee compensation for the Second Interim report and the Estimated Actuals 2022-23, the district provided a document for 2022-23 dated 12/13/23. The district published a tentative agreement with its bargaining units on 12/14/23. The source documents that should inform the budget did not include this increase, which included many complexities whereby most employees received a 7% increase and those on subsequent steps received increases by +1%, +2% and +3.5%, capping at an increase of 10.5% for the most senior of employees. The district should update its source documentation so that budgets can be supported with details that reconcile. A budget should not be prepared with outdated information and the same outdated information should not be used for two budget cycles. The document used to source the budget should easily demonstrate whether vacancies are budgeted, the changes in cost and full-time equivalents from year to year due to pandemic funding expiring, LCAP initiatives and eliminate one-time settlement costs from 2022-23 to 2023-24

Local Control Accountability Plan (LCAP)

The Local Control Accountability Plan (LCAP) is required of all LEAs including school districts, COEs, and charter schools and is to be incorporated into the LEA's budget.¹³ The LCAP describes the use of supplemental and concentration funds¹⁴ that are to be used to support the LCFF unduplicated count students of the LEA. LEAs with unduplicated counts over 20% receive supplemental funds and counts over 65% receive both supplemental and concentration funds. In other words, the higher the count of needy students, the higher the amount of revenue per student is apportioned to the LEA.

The LCAP has been required since the inception of the LCFF in 2013-14. Since 2013-14, the LCAP required LEAs to report the amounts anticipated to be spent on unduplicated count students. The intent of the legislation was to invest in the students whose socio-economic metrics generated the additional funds. However, no external audit procedure is required by the state to hold LEAs accountable. The accountability process relies upon public engagement, nothing more.

As of the 2021-22 fiscal year, LEAs are required to perform a complex calculation that is intended to prevent supplemental and concentration funds from being "swept" or reallocated to other priorities, such as the "base" services enjoyed by all pupils.¹⁵ Best practice for all LEAs, but particularly relevant for LEAs with high counts, is to account for supplemental and concentration funds received in every year as spent in that year. Otherwise, these LEAs are accumulating a "carryover" amount that acts like one-time money. Like carryover of any program, unspent one-time funds are difficult to expend in a meaningful way. As an example, it is difficult to recruit and hire employees for a short duration or deploy a consequential short-term initiative.

- The Vallejo City Unified School District receives approximately \$35 million per year in supplemental and concentration funds. As noted in VCUSD's 2023-24 budget adoption, the projected carryover for LCAP in the 2023-24 ending fund balance is anticipated to be \$22.3 million. The carryover estimate would indicate that the district is not spending its allocation every year.

¹³ LCAP is intended as a comprehensive planning tool to support student outcomes and is an important component of the LCFF. The LCAP describes how LEAs intend to meet annual goals for all pupils, with specific activities to address state and local priorities identified pursuant to *EC* sections 52060(d), 52066(d), and 47605.

¹⁴ Supplemental Grant Education Code Section 42238.02(e): For each grade span: Base Grant or Adjusted Base Grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage (UPP), times 20 percent. Concentration Grant *EC* Section 42238.02(f): For each grade span: Base Grant or Adjusted Base Grant per ADA, times total funded ADA, times portion (if any) of UPP2 that exceeds 55 percent, times 65 percent.

¹⁵ School Services of California, *School Finance Conference*, July 15, 2021. 1) Determine if all funds budgeted in the LCAP for actions identified as contributing toward meeting the minimum proportionality percentage (MPP) were spent, 2) Determine if less funds were budgeted than the estimate of supplemental and concentration grant funds received, 3) If less, then calculate the percentage point difference between the total planned and total actual quality improvements, 4) If the total actual quantitative and qualitative increases/ improvements are less than what was planned for in the prior-year LCAP, and together they are insufficient to meet the prior-year MPP, then the LEA has to: a) Designate the difference as an unused portion of S/C grant funds, b) Spend the funds on specific actions contributing toward meeting the MPP, c) Report the planned uses of these funds in the coming year's LCAP. This requirement is in addition to the requirement to meet the MPP for the coming fiscal year.

- This assessment is concerned with the math associated with this disclosure. The district would need to either expend these dollars in the 1000-7999 object categories or continue to carry the funds in its ending fund balance. For the future years, the district appears to be doing neither. In effect, the district has “swept” these funds and/or reallocated them to “base” priorities.

General Obligation Bond Proceeds

The district’s capital funds can be as large in scope and complexity as the district’s operational funds. District fiscal distress occurs when the district does not have the internal accounting capacity to analyze whether it has sufficient funds or cash flow for a project. Construction projects require a minimum of monthly monitoring and sometimes require daily coordination between facilities, accounting, and contractors to ensure projects are cost contained and are built to district specifications. Costs can shift rapidly, depleting funds faster than expected. Additionally, the timing of receipt of funds may not correlate with the expenditure of funds. Demonstrating competence in sequencing construction tasks with accounting concepts is critical to ensuring projects do not encroach on operational funds.

The district outsources the cash flow and budget to actuals analysis of these issues. The district is unable to explain these financial reports to the level of detail that inspires confidence that adequate monitoring is taking place internally.

- The district is not accounting for its \$52 million in general obligation bond proceeds in accordance with the official statement issued March 24, 2023, that reports the sources and uses of these funds. The district is netting all transactions.
- The district budgeted \$74.5 million in its general obligation bond capital expenses for 2022-23 only to expend \$8 million as of June 30, 2023, in its 2022-23 preliminary closing general ledger as of July 20, 2023. The district is encouraged to maintain a budget that accurately reflects the immediate construction plans of the district.
- The district relies upon a consulting firm to provide the budget to actual comparisons and cash flows for the projects. The district accounting office needs to be more engaged in this process; the vendor recognizes the over-reliance of the district on the firm and was scheduled to provide preliminary training as of mid-March 2023.

Cash Flow Budget Adoption 2023-24 and 2024-25

An informed cash flow is the first tool to detect potential insolvency, not the district budget. A district may deplete its cash before budgeting a negative fund balance. Cash flow is the determining factor as to whether it can meet its obligations or not.

Therefore, due to the importance and significance of cash flow, the district should be preparing a cash flow that is more detailed than the one required in SACS. The district could not provide such.

- The cash flow should detail every revenue object by resource. Every resource has a unique cash release schedule from the awarding agency and the district should demonstrate that it calculated the month of receipt of funds. In the case of the LCFF, the State Aid should be separate from the Educational Protection Act and Property Taxes should be separated from Charter-In-Lieu payments. The level of detail of the cash flow does not provide for this vital information.

- The district should also prepare a flow for expenses using the two-digit object code to differentiate expenses by type to determine whether the district is spending according to plan.
- The balance sheet needs to be flowed by four-digit object code by resource so that the district can detect errors in reconciliations. Balance sheet accounts should reflect what the district owns and owes, and it is only through another view of the accounts that the district can tell whether it has cleared its prior year accruals and is correctly posting current year cash.

Accounts payable

Accounts payable is the accounting function that pays vendors. Paying vendors promptly results in a true reflection of district obligations. By paying vendors promptly, the district can analyze and control costs throughout the year, improve budget estimates and only need to perform period 13 entries at closing because they have completed all the tasks as they occurred in the first 12 periods, July through June.

- After sampling invoices from FY 2019-20 through June 2023, it appears the district struggles to pay its vendors within best practice of 30 days, with 75 to 100 days being closer to the norm.

Security of transactions and segregation of duties

Access to a financial system is a foundational control over payment of vendors and employees. The ability to create employees and vendors in a system needs to be separated from the ability to pay. In other words, those who control data bases such as employee databases and salary schedules, should be the function of human resources employees. Vendor databases should be the function of purchasing employees. Paying employees and vendors should be the role of payroll and accounts payable, respectively. Purchasing and receipting goods and services should be separated from each other and the payment function. Receipting, depositing and reconciling cash functions need to be separated to control cash.

- Our assessment process requested the logins and ESCAPE financial system access for all VCUSD employees from the Solano County Office of Education. The report provided was in Adobe Acrobat, comprised of 733 pages with non-searchable components, 272 employee roles, 16 types of logins, without the ability to easily sort by active and non-active log ins, types of logins or roles. In other words, this tracking method does not lend itself to easily audit whether staff have logins that fail to segregate duties or have log ins that are inappropriate for their job description.
- Due to the difficulty in auditing these records, our firm is providing one example of a severe potential weakness. It appeared that an active login exists that is not assigned to any employee. This login has access to several critical financial activities that include vendor payments and higher-level access to a variety of accounting and budgeting jobs. The district is encouraged to explain how it monitors the access to its financial system under these conditions. The County Office of Education is not involved in oversight.

Charter School Oversight

The district oversees six charters in addition to its own operations. Charter oversight is a labor-intensive endeavor, requiring subject matter experts and time. Oversight requires that the district business, human resources, and educational services departments conduct evaluations of the charter departments with the same thoroughness of audits that combine the criteria of the external audit, the FCMAT comprehensive reviews, and federal program management audits.

The financial oversight component poses the highest risk to the district. Districts must mitigate the risk of being held responsible for a charter being unable to continue its operations through rigorous oversight.

As recently as 2019-20 and 2020-21, the Griffin Technologies Academies business office staffing and competency posed significant challenges. The challenges are evidenced by the amount of time an external accounting consultant worked with the charters, the effort of the external auditor, and the delay of the audits due to client lack of preparedness. The auditor documented the numerous challenges in a very detailed letter dated April 15, 2021. The letter described the inability of the Academies to accurately and timely report its financial condition.

In a separate engagement, our team contracted briefly to assess the Griffin Technologies Academies in July 2021. Our team's findings supported the concerns of the external auditor as expressed in their April 2021 letter. Our engagement revealed that the charter was implementing a new financial system, had not reconciled its general ledger for the two previous years, hired a new Chief Business Official (who terminated within the year), recently hired a new accountant, and was unprepared for the for both the 2019-20 and 2020-21 external audits¹⁶. The charter had spent over \$300,000 on accounting consultants in FY 2020-21 to assist with the conversion¹⁷. Our firm notified Vallejo City Unified School District and the State Trustee of the condition of the financial reporting process.

The district responded by engaging FCMAT to do a review of the situation. FCMAT published an "Organizational Structure and Business Process Review," April 22, 2022.

The problem is well-documented; however, it is unclear how it has been resolved.

- To provide adequate charter oversight, the district must receive copies of the charter external audits and the detailed transactions both exported from the financial system in *Microsoft Excel* and with unalterable documents to compare the integrity of the data with what is projected by the charter. It appears the district is not receiving source documents to support enrollment, attendance, or financial data other than budgeted information that can be altered and/or have no relationship to actuals. Receiving these documents is not sufficient; the district needs to be able to analyze the charters to the same degree it can analyze its own organization.

¹⁶ On April 15, 2021, the Griffin Technologies Academies external auditor wrote a letter to the Charter Board of Directors upon completing the audit for the year ending June 30, 2020. The audit was completed four months late due to significant difficulties with the client providing information to the auditor. Numerous material and immaterial adjustments were required to adjust a multitude of accounts, of which were documented in 24 separate *Microsoft Excel* workbooks.

¹⁷ For context, the total revenue for the charters approximated \$14 million in 2019-20.

- The district not only needs to elevate the skills and the number of employees with accounting skills in the business department for district purposes but also needs to staff with accountants who can adequately and regularly assess the six charters under their oversight.
- In effect, the district is expected to provide the same diligence with its charters that Solano County Office of Education provides to its districts. The Solano COE can conduct its oversight 24/7/365 due to having access to the financial system of the district and make demands of its LEAs. The district needs to consider how it will accomplish the same level of diligence with entities that are off-line and may or may not be responsive to requests. The district also must consider how to organize its time and skill set to accomplish its own deadlines and oversee those of others.

Conclusion

This report is designed to assist the Trustee, the Solano County Office of Education, and the Vallejo City Unified School District to exit the district from the state loan process.

The district is commended for eliminating or avoiding all but one risk factor, the retiree health insurance investment.

- Maintaining a culture whereby high ethical and morale values are upheld in all interactions of Board members, administration, employees, and vendors is foundational to maintaining solvency.
- A district must avail itself of all financial software and banking services offered by its County Office of Education so that the COE may provide the best oversight possible. By being a part of the same financial and banking systems, the district is better positioned to find a labor force that has experienced the same system and can have others temporarily assist. Participating in the COE systems allows a district to receive training and guidance relevant to its operation. Any departure from COE-provided systems is redundant and unnecessary. It has proven to be a high-risk factor in LEA's losing control of their ability to report their financial condition accurately and timely.
- A district should not be issuing non-voter approved debt unless it will be paid off with a General Obligation Bond that has passed the electorate. Many districts issue debt for cash flow purposes only to struggle later to repay it. The debt service becomes onerous for the general operating fund diminishing the ability to adequately compensate active employees and improve student programs.
- Maintaining decorum and professionalism at the Governing Board level sets the tone at the top. Broadcasting live meetings, following the Open Meetings Act and keeping the Board webpage up to date with minutes and agendas signals competency in administration and governance to the staff and community.

The areas of immediate improvement are: 1) raising the student attendance percentage as compared to enrollment, 2) utilizing the increased dollars to invest in programs that are proven to generate interest in the Vallejo City Unified School District community, such that student enrollment and attendance spiral upward, 3) addressing all issues with collaboration between education, business and human resources; no one department should be responsible for ideas and implementation, 4) utilizing source data to inform all decisions and have staff become knowledgeable about local trends, 5) raise the competency of the accounting and budgeting department, and 5) attend to the details provided in the

original eight FCMAT reports. Over 400 criteria have been provided to guide the district; the roadmap is available.

The district must address its student attendance issues immediately, budget for actual positions that will be recruited and employed, address the LCAP carryover and have all departments understand the gravity of the data presented in this report and be part of the solution. As it stands now, the district is in jeopardy of returning to the place it is attempting to exit.



VALLEJO UNIFIED SCHOOL DISTRICT: APPENDICES

California State Emergency Loan Recipients

California state emergency loans to school districts from 1990 to 2022.

District	Tenure of Administrators and Trustees	Legal Authority (in addition to Assembly Bill (AB) 1200)	Date of Issue	Amount of State Loan	Interest Rate	Date/Amount of I-Bank Refinance & Remaining General Fund (GF) Loan	Outstanding Balance of I-Bank and General Fund Loans	Amount of Annual Loan Payment; Due Date	Amount Paid By District Including Principal & Interest	Pay Off Date
Inglewood Unified	Administrator 10/03/12– Present	Senate Bill (SB) 533, Ch 325/12 AB 86, Ch 48/13	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 \$10,000,000 = \$29,000,000 (\$55 million authorized)	2.307%	11/01/13 \$29,086,724 refinanced by GF	\$20,975,274 as of 07/01/22	GF: \$1.8 million due each November, 2014–2033; \$2.6 million due November 2034. (November 2018 payment was deferred to November 2034 with interest.)	\$12,823,888	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator 07/23/09– 06/30/16 Trustee 07/01/16– Present	SB 130, Ch 20/09 SB97, Ch 357/13	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 \$8,000,000 = \$13,000,000	2.307%	04/14/10 I-Bank refinanced \$5 million GF loan, plus provided additional \$8 million (total I-bank loan of \$14,395,000 including principal, accrued	\$6,307,855 as of 07/01/22	I-Bank: \$1.2 million total due during the period July through October, 2010–2012; \$.9 million total due during the period July through October, 2013–2028.	\$12,639,237	October 2028 I-bank

						interest, and expenses)				
Vallejo City Unified	Administrator 06/22/04–03/31/13; Trustee 07/13/07–Present	SB 1190, Ch 53/04	06/23/04 08/13/07	\$50,000,000 \$10,000,000 = \$60,000,000	1.5%	12/01/05 \$20,642,992 refinanced by sale of I-Bank bonds of \$21,205,000 (principal and accrued interest) \$25,000,000 - GF \$10,000,000 - GF	\$7,420,366 as of 07/01/22	I-Bank: \$1.3 million total due during the period July through January, 2006–2024; GF: \$1.6 million due each June, 2007–2024; GF: \$670,797 due each August, 2008–2024	\$61,812,324	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator 06/16/03–06/28/09; Trustee 07/01/08–Present	SB 39, Ch 14/03	06/04/03 06/28/06	\$65,000,000 \$35,000,000 = \$100,000,000	1.778%	12/01/05 \$50,830,859 refinanced by sale of I-Bank bonds of \$59,565,000 (principal and accrued interest) \$35,000,000 - GF	\$11,842,547 as of 07/01/22	I-Bank: \$3.8 million total due during the period July through January, 2006–2023; GF: \$2.1 million due each June, 2007–2026	\$107,438,594	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator 03/19/03–06/30/11; Trustee 08/26/08–12/04/09	AB 38, Ch 1/03	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	N/a	-0-	N/a	\$1,425,773	12/31/10 GF
Emery Unified	Administrator 08/07/01–06/30/04; Trustee 07/1/04–07/29/11	AB 96, Ch 135/01	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	N/a	-0-	N/a	\$1,742,501	06/20/11 GF

Compton Unified	Administrators 07/93– 12/10/01; Trustee 12/11/01– 06/02/03	AB 657, Ch 78/93 AB 1708, Ch 924/93	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 \$9,451,259 = \$19,951,259	4.40% 4.313% 4.387%	N/a	-0-	N/a	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrators 05/26/92– 09/30/96; Trustee 10/01/96– 12/20/01	SB 1278, Ch 59/92	06/16/92 01/26/93	\$5,130,708 \$2,169,292 = \$7,300,000	5.338% 4.493%	N/a	-0-	N/a	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Pre-AB 1200 Trustee 07/01/90– 05/01/91; Administrator 05/02/91– 05/03/92; Trustee 05/04/92– 05/31/12	AB 1202, Ch 171/90 Superior Court Order	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 \$19,000,000 = \$28,525,000	1.532% 2004 refi rate	12/01/05 \$15,475,263 refinanced by sale of \$15,735,000 in I-Bank bonds (principal plus accrued interest)	-0-	N/a	\$47,688,620	05/30/12 I-bank

Questions: Fiscal Oversight & Support | sacsinfo@cde.ca.gov

Last Reviewed: Monday, August 1, 2022

State Emergency Loans

Information on emergency loans made to school districts.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) made several changes to the emergency loan process effective September 17, 2018, including shifting a number of responsibilities from the State Superintendent of Public Instruction (SSPI) to the County Superintendent of Schools (CSS), with concurrence of the SSPI and President of the State Board of Education (SBE).

If a school district governing board determines during a fiscal year that it has insufficient funds to meet its current obligations, it may request an emergency apportionment loan. Statute specifies legislative intent that emergency apportionment loans are to be provided only through a legislative appropriation.

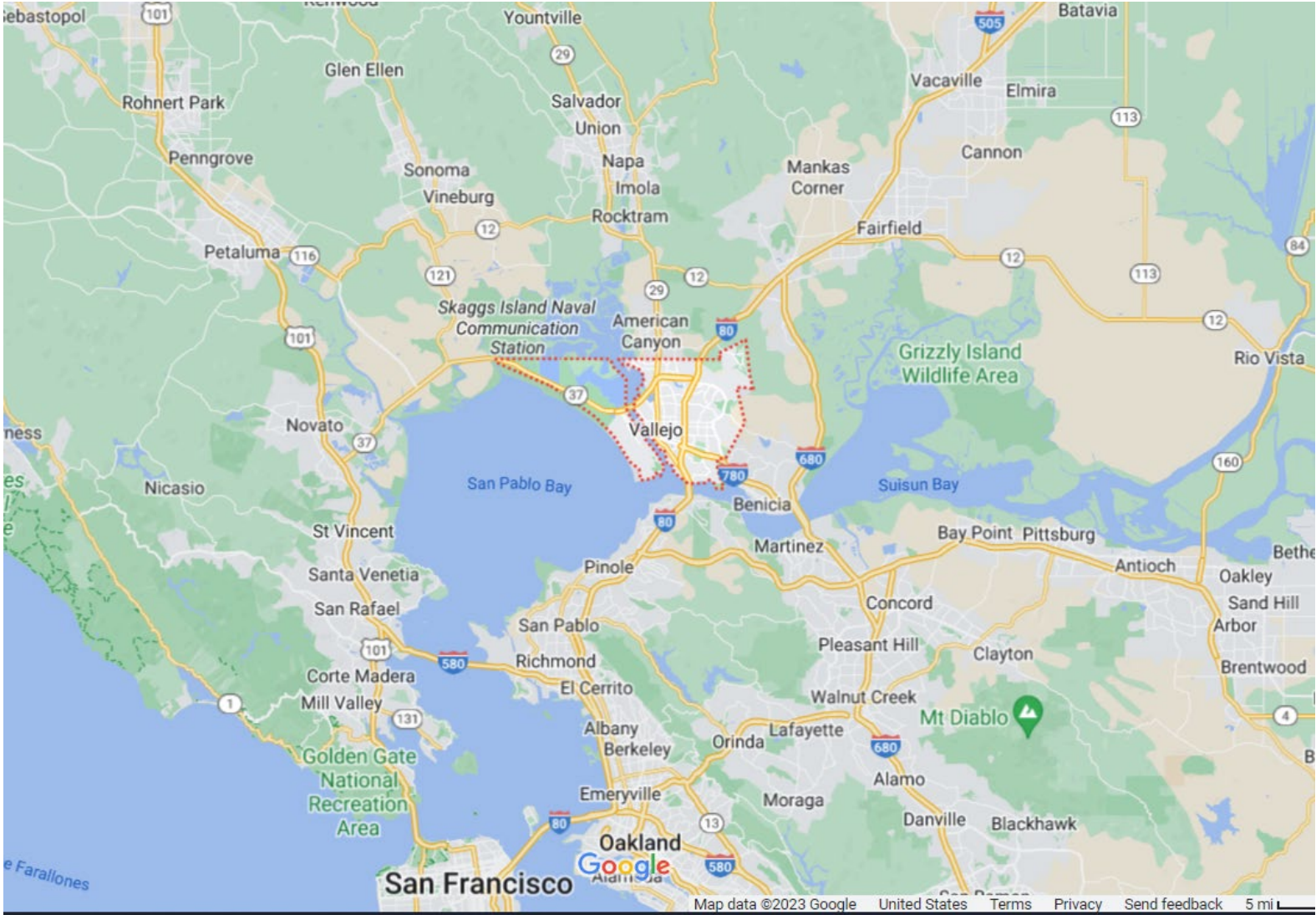
General statutory conditions for acceptance of a loan that exceeds 200 percent of the amount of the district's recommended reserve include:

- The CSS shall assume all the legal rights, duties, and powers of the governing board of the district.
- The CSS, with concurrence from the SSPI and President of the SBE, shall appoint an administrator to act on behalf of the CSS.
- The school district governing board shall be advisory only and report to the administrator.
- The authority of the CSS and administrator shall continue until certain conditions are met. At that time, the CSS, SSPI, and President of the SBE shall appoint, by majority vote, a trustee to replace the administrator. Trustee authority is addressed below.

General statutory conditions for acceptance of a loan that equals or is less than 200 percent of the amount of the district's recommended reserve include:

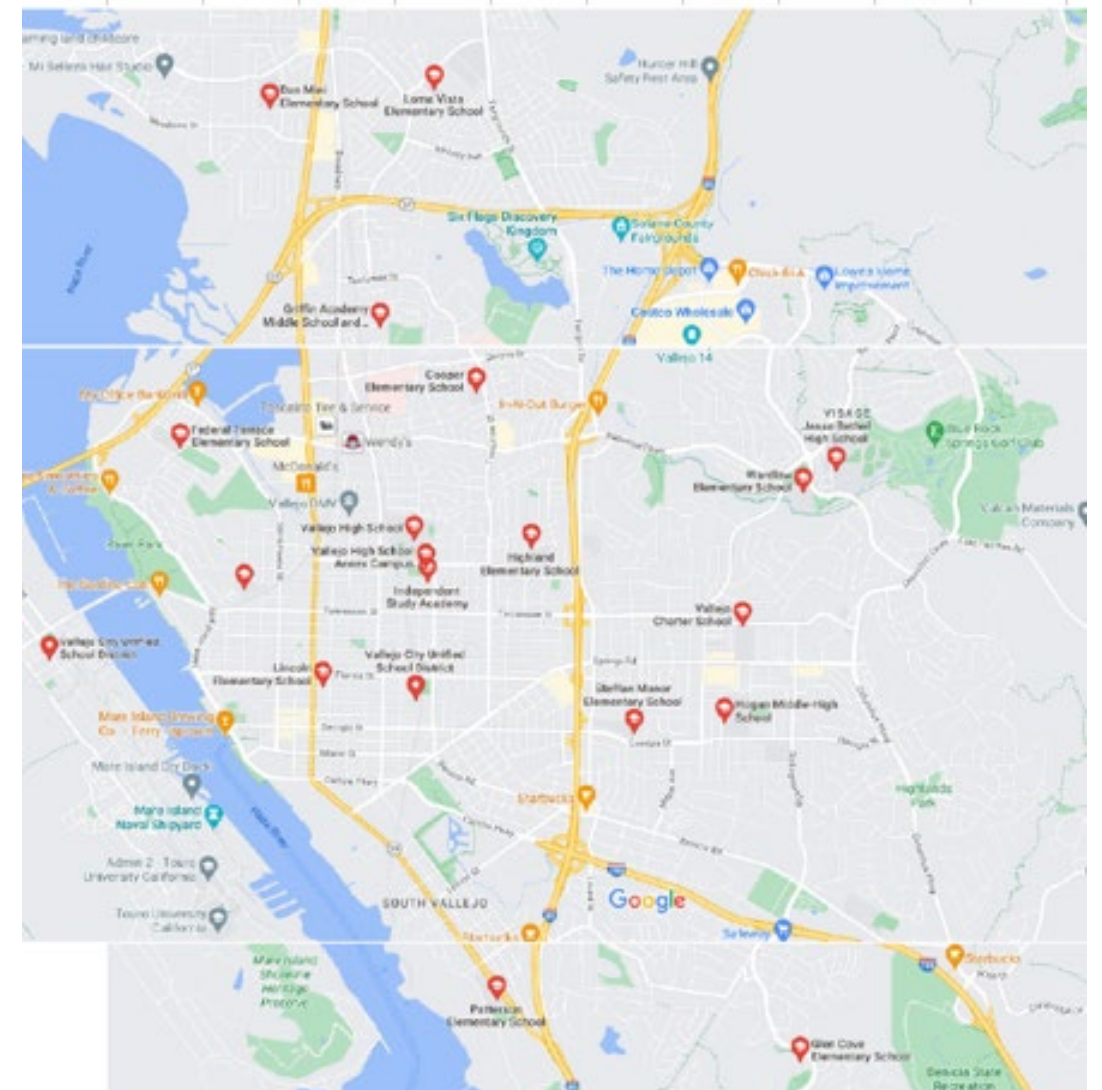
- The CSS, SSPI, and President of the SBE shall appoint, by majority vote, a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the appointed trustee shall continue until the district has adequate fiscal systems and controls in place, the SSPI has determined that the district's future compliance with the fiscal plan approved for the district is probable, the trustee has served at least three years, and the CSS, SSPI, and President of the SBE terminate the appointment. After the trustee is terminated and until the emergency loan is repaid, the CSS shall have the authority to stay and rescind any action of the local governing board that affects the financial condition of the district.

VALLEJO ENCOMPASSES 52 SQUARE MILES OF NORTHERN CALIFORNIA

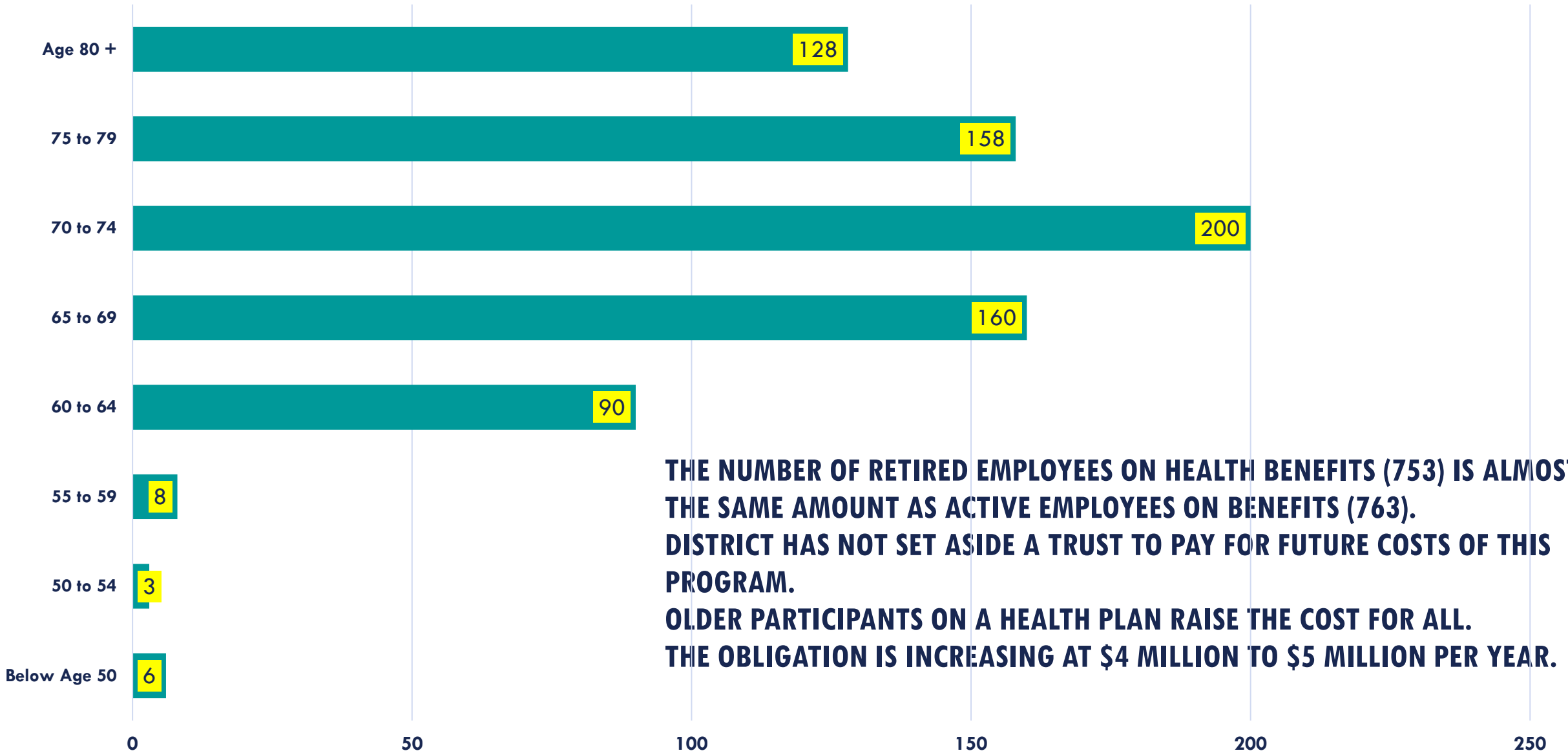


VALLEJO CITY UNIFIED SCHOOL DISTRICT SITES

- The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school

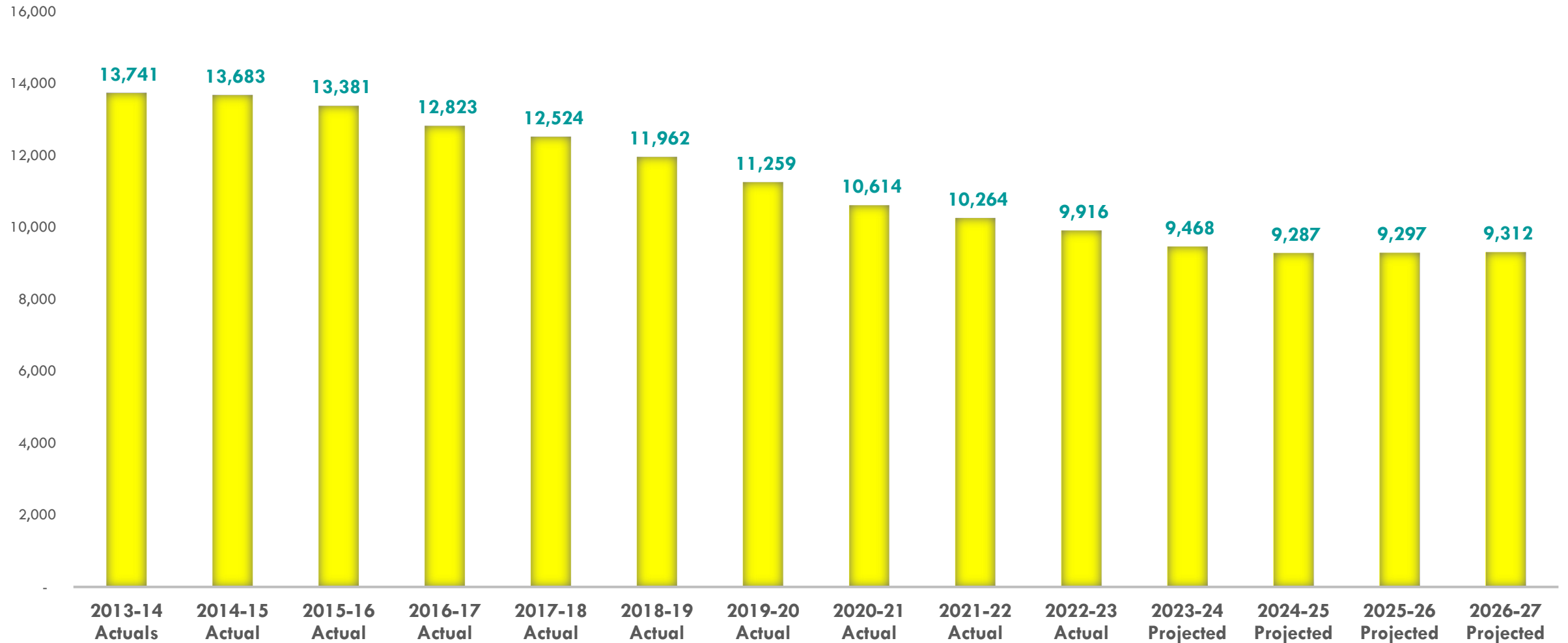


Vallejo City Unified School District Retired Employees on Benefits



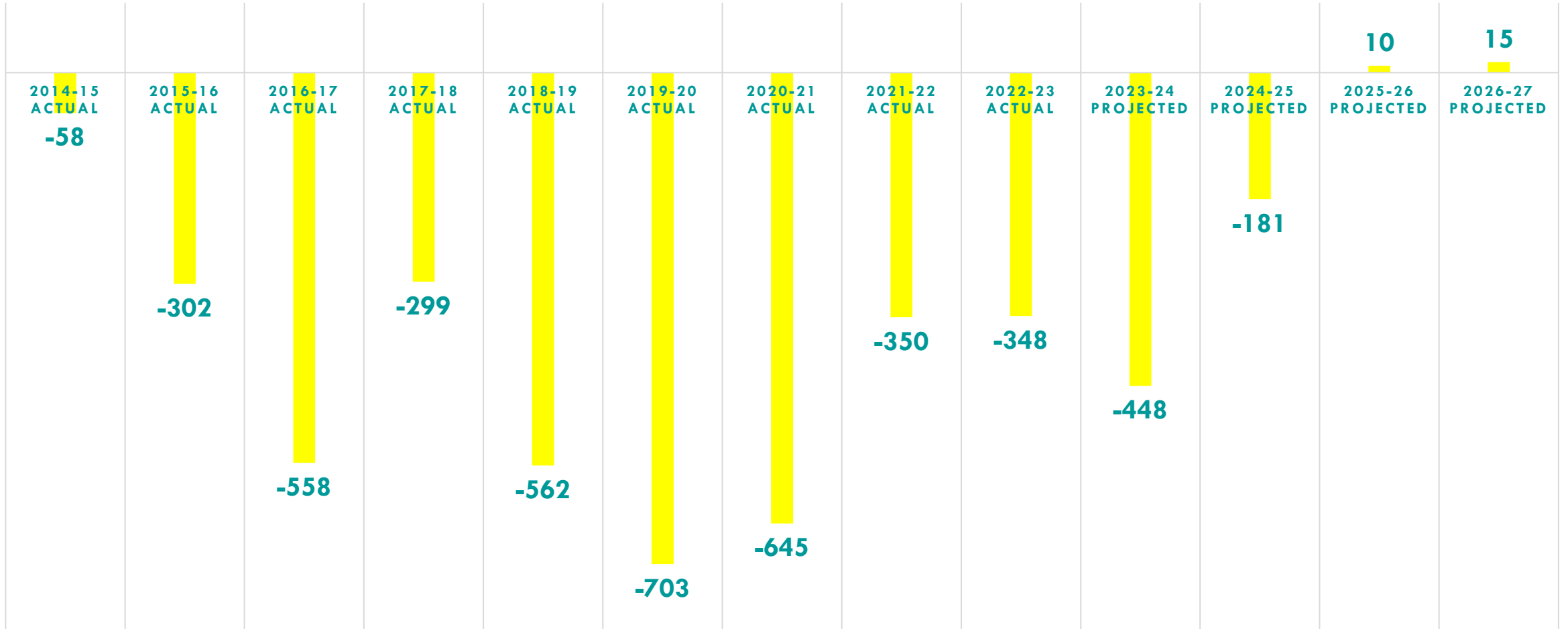
VALLEJO CITY UNIFIED SCHOOL DISTRICT HAS LOST 3,825 STUDENTS, FROM 13,741 IN 2013-14 TO 9,916 IN 2022-23, OR 28% OF ITS ENROLLMENT. THIS LOSS EQUATES TO THE ENROLLMENT OF 7 ELEMENTARY SCHOOLS OR 2 HIGH SCHOOLS OR 5 MIDDLE SCHOOLS.

DISTRICT ENROLLMENT

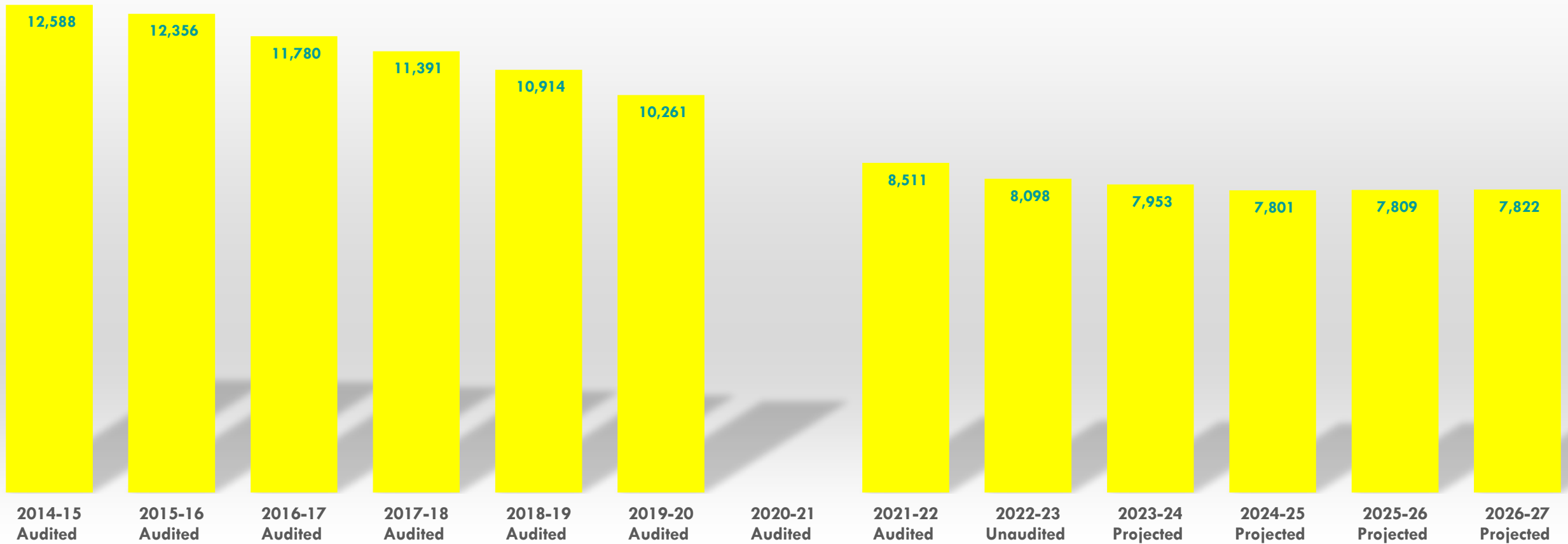


THE DISTRICT IS LOSING APPROXIMATELY ONE SMALL SCHOOL SITE PER YEAR OF STUDENTS.

CHANGE IN DISTRICT ENROLLMENT



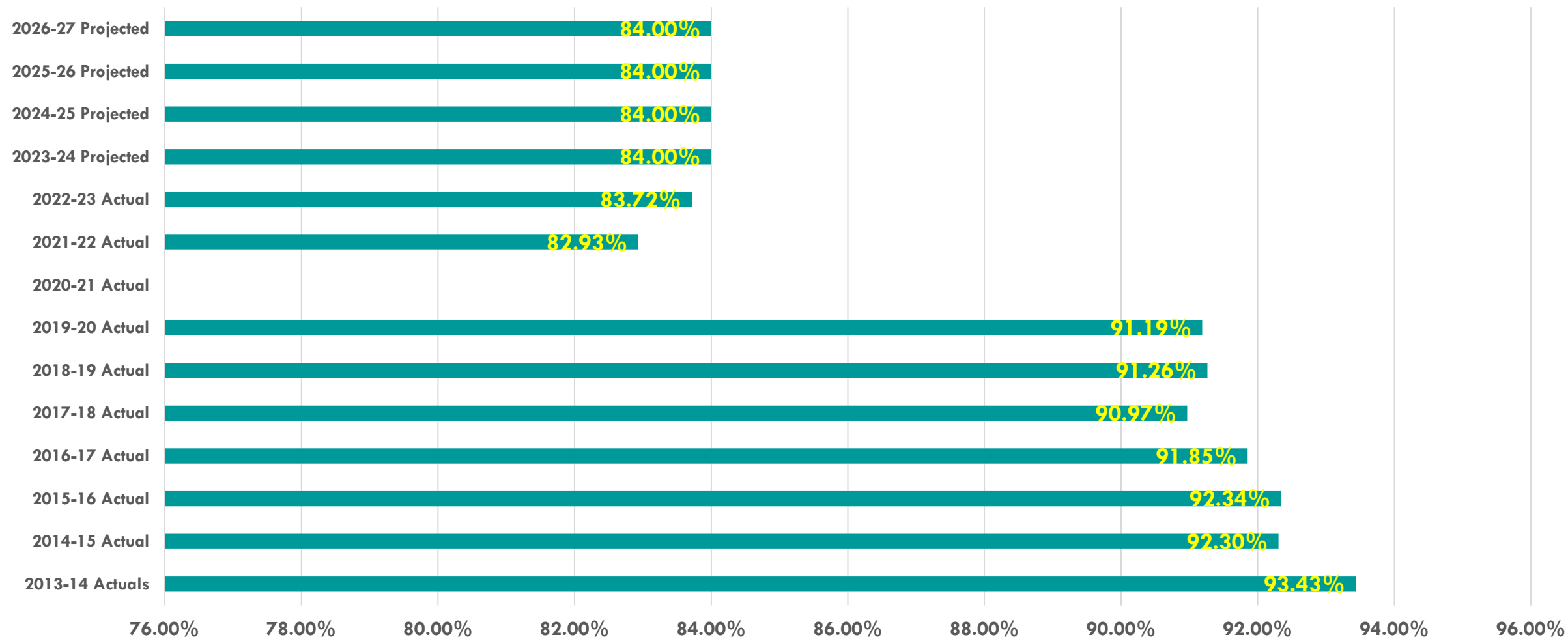
Audited District Period Two Student Attendance



THE DISTRICT IS ALMOST HALF THE ATTENDANCE OF A DECADE AGO

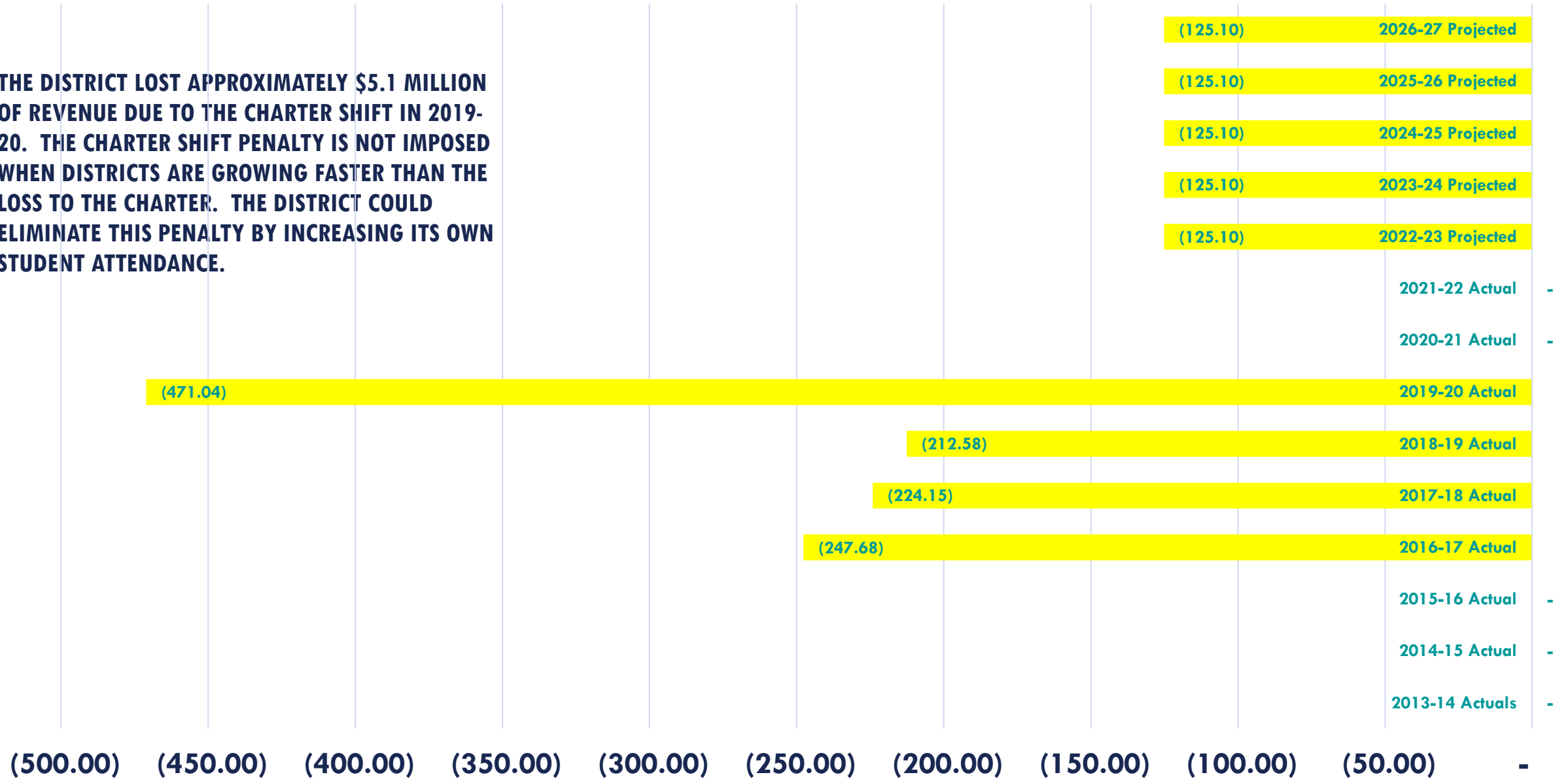
THE LOSS OF 12% STUDENT ATTENDANCE IS COSTING THE DISTRICT APPROXIMATELY \$18 MILLION IN 2023-24 DOLLARS.

District ADA to CALPADS Enrollment



ADA Loss to District Sponsored Charters As Reported to CDE

THE DISTRICT LOST APPROXIMATELY \$5.1 MILLION OF REVENUE DUE TO THE CHARTER SHIFT IN 2019-20. THE CHARTER SHIFT PENALTY IS NOT IMPOSED WHEN DISTRICTS ARE GROWING FASTER THAN THE LOSS TO THE CHARTER. THE DISTRICT COULD ELIMINATE THIS PENALTY BY INCREASING ITS OWN STUDENT ATTENDANCE.



VCUSD FAILS TO MEET RESERVE IN 2024-25

Description	2023-24 Projected Budget			2024-25 Projected Budget			2025-26 Projected Budget			2026-27 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES												
General Purpose Revenue (A)	140,092,308	-	140,092,308	134,297,069	-	134,297,069	129,555,274	-	129,555,274	131,122,173	-	131,122,173
Federal Revenue (B)	-	16,821,698	16,821,698	-	9,339,165	9,339,165	-	9,339,165	9,339,165	-	9,339,165	9,339,165
State Revenue (C)	4,003,088	32,817,519	36,820,607	3,968,088	32,749,794	36,717,882	3,949,088	31,532,671	35,481,759	3,943,088	30,603,645	34,546,733
Local Revenue (D)	1,959,616	766,651	2,726,267	1,959,616	766,651	2,726,267	1,959,616	766,651	2,726,267	1,959,616	766,651	2,726,267
TOTAL REVENUES	146,055,012	50,405,868	196,460,880	140,224,773	42,855,610	183,080,383	135,463,978	41,638,487	177,102,465	137,024,877	40,709,461	177,734,338
EXPENDITURES												
Certificated Salaries (E)	46,143,158	14,426,037	60,569,195	47,018,774	13,545,223	60,563,997	47,841,603	13,782,264	61,623,867	48,760,105	14,023,454	62,783,559
Classified Salaries (E)	22,204,895	11,870,160	34,075,055	22,449,149	10,079,512	32,528,661	22,696,090	10,190,387	32,886,477	22,945,747	10,302,481	33,248,228
Benefits (F)	30,367,016	18,451,697	48,818,713	30,945,729	17,161,509	48,107,238	31,412,838	17,334,985	48,747,823	31,875,656	17,522,184	49,397,840
Books and Supplies (G)	6,961,302	4,439,428	11,400,730	6,679,078	5,051,494	11,730,572	5,941,136	5,060,618	11,001,754	6,421,065	5,069,747	11,490,812
Other Services & Oper. Exp (H)	17,152,264	27,039,975	44,192,239	16,176,648	23,716,962	39,893,610	15,175,429	24,087,085	39,262,514	16,003,160	24,502,954	40,506,114
Capital Outlay (I)	87,618	200,000	287,618	87,618	200,000	287,618	87,618	200,000	287,618	87,618	200,000	287,618
Other Outgo (I)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of Indirect Costs (J)	(4,992,547)	4,125,432	(867,115)	(4,835,481)	4,085,236	(750,245)	(4,835,481)	4,085,236	(750,245)	(4,835,481)	4,085,236	(750,245)
TOTAL EXPENDITURES	117,923,706	80,552,729	198,476,435	118,521,515	73,839,936	192,361,451	118,319,232	74,740,575	193,059,807	121,257,869	75,706,056	196,963,925
EXCESS / (DEFICIENCY)	28,131,306	(30,146,861)	(2,015,555)	21,703,258	(30,984,326)	(9,281,068)	17,144,746	(33,102,088)	(15,957,342)	15,767,008	(34,996,595)	(19,229,587)
OTHER SOURCES/USES												
Transfers In (K)	775,000	-	775,000	775,000	-	775,000	775,000	-	775,000	775,000	-	775,000
Transfers Out (L)	(2,676,140)	-	(2,676,140)	(2,676,140)	-	(2,676,140)	(434,643)	-	(434,643)	236,147	-	236,147
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to Restricted (M)	(30,587,317)	30,587,317	-	(30,984,326)	30,984,326	-	(33,102,088)	33,102,088	-	(34,996,595)	34,996,595	-
TOTAL OTHER SOURCES / USES	(32,488,457)	30,587,317	(1,901,140)	(32,885,466)	30,984,326	(1,901,140)	(32,761,731)	33,102,088	340,357	(33,985,448)	34,996,595	1,011,147
Net Increase (Decrease)	(4,357,151)	440,456	(3,916,695)	(11,182,208)	-	(11,182,208)	(15,616,985)	-	(15,616,985)	(18,218,440)	-	(18,218,440)
FUND BALANCE, RESERVES												
Estimated Beginning Balance	38,198,541	32,053,800	70,252,341	33,841,390	32,494,256	66,335,646	22,659,182	32,494,256	55,153,438	7,042,197	32,494,256	39,536,453
Estimated Ending Balance	33,841,390	32,494,256	66,335,646	22,659,182	32,494,256	55,153,438	7,042,197	32,494,256	39,536,453	(11,176,243)	32,494,256	21,318,013
Nonspendable	255,303	-	255,303	255,303	-	255,303	255,303	-	255,303	255,303	-	255,303
Restricted	-	32,494,256	32,494,256	-	32,494,256	32,494,256	-	32,494,256	32,494,256	-	31,613,408	31,613,408
Committed	4,246,337	-	4,246,337	-	-	15,577,479	-	-	-	-	-	-
LCAP Carryover 22-23	22,299,350	-	22,299,350	22,299,350	-	-	22,299,350	-	-	22,299,350	-	-
Unassigned - REU @ 3.5%	7,040,400	-	7,040,400	6,826,400	-	6,826,400	6,772,400	-	6,772,400	6,885,500	-	6,885,500
Unassigned - Other	-	-	-	(6,721,871)	-	-	(22,284,856)	-	14,494	(40,616,396)	880,848	(17,436,198)