

Fiscal Health Risk Analysis

Key Fiscal Indicators for Community Colleges



The Fiscal Crisis and Management Assistance Team (FCMAT) has developed this Fiscal Health Risk Analysis for California community colleges as a management tool to evaluate key fiscal indicators that may help measure a community college’s risk of insolvency in the current and two subsequent fiscal years.

The presence of any single criteria is not necessarily an indication of a district in fiscal crisis. However, districts that answer “No” to seven or more of the 19 key indicators may have cause for concern and could require some level of fiscal intervention. The more indicators identified, the greater the potential risk of insolvency or fiscal issues. Identifying issues early is the key to success when it comes to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency. A district must continually update its budget as new information becomes available both from within the district and from other funding and regulatory agencies.

Each of the 19 key indicators below contains several questions. The response given to each key indicator (Yes, No, or N/A) should be approximately the same as that given to a simple majority of its constituent questions.

FCMAT will continue to update this document as additional changes occur in education finance.

Is the district’s fiscal health acceptable in the following areas?	Yes	No	N/A
1. Deficit Spending	<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 decreased or eliminated deficit spending over the past two fiscal years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is deficit spending covered 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?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Fund Balance	<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"/>
3. Reserve for Economic Uncertainty	<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 other funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• If not, does the district’s multiyear financial projection include a plan to restore the reserve for economic uncertainty?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Is the district's fiscal health acceptable in the following areas?	Yes	No	N/A
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4. Enrollment and FTES	<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?
- Is the district's enrollment projection updated at least semiannually?
- Are staffing adjustments for certificated and classified employee groups consistent with the enrollment trends?
- Does the district analyze enrollment and full time equivalent students (FTES) data?
- Does the district track historical enrollment and FTES data to establish future trends for projection purposes?
- Has the district implemented any programs to increase FTES?
- Do colleges maintain an accurate record of enrollment and FTES that is reconciled monthly?

5. Debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Does the district have a recent actuarial study and a plan to set funds aside for unfunded liabilities?
- Does the district maintain low levels of non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others)?
- Is the district conforming to GASB 68 requirements by recognizing and reporting its proportionate share of net liability for pension programs?

6. Cash Monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Can the district manage its cash in all funds without interfund borrowing?
- If interfund borrowing is occurring, does the district repay the funds within the statutory period in accordance with Education Code Sections 85220 to 85223?
- Does the district forecast its cash receipts and disbursements and verify them at least monthly to ensure that cash flow needs are known with plenty of notice?.
- Does the district have a plan to address short-term cash flow needs?.
- Are cash balances reconciled to bank statements monthly?

7. Bargaining Agreements	<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?
- Did the district conduct a pre-settlement analysis, including multiyear projections, identifying ongoing revenue sources or expenditure reductions to support the agreement, as well as the long-term effects on the district?
- Did the district correctly identify the related costs above the COLA, (i.e. statutory benefits, step and column)?
- Did the district address budget reductions necessary to sustain the total compensation increase, including a board-adopted plan?
- Did the chancellor or superintendent/president and CBO verify the affordability of the agreement prior to ratification?

Is the district's fiscal health acceptable in the following areas?	Yes	No	N/A
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- Is the governing board's action consistent with the chancellor or superintendent's/president's/CBO's recommendation after verification of affordability? . . .
- Did the district disclose the costs associated with a tentative collective bargaining agreement before it became binding on the district?

8. General Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average?
- Is the district making sure that only ongoing dollars pay for permanent staff?
- Does the budget identify future reductions in expenditures proportionate to one-time revenue sources, such as parcel taxes, that will terminate in the current or two subsequent fiscal years?
- Does the district ensure that parcel tax is not paying for ongoing expenditures?
- Is the district ensuring that litigation and/or settlements are minimized?

9. Encroachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- 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 in all funds?

10. Management Information Systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Is the district's financial data accurate and timely?
- Are the mandated reports filed in a timely manner?
- Are key fiscal reports – including those on personnel, payroll and budget – accessible, timely, and understandable?

11. Position Control and Human Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Does the district maintain and use an effective and reliable position control system that tracks personnel allocations and expenditures?
- Is position control integrated with payroll and the financial system?
- Does the district control unauthorized hiring?
- Is the district able to control overstaffing?
- Are the appropriate levels of internal controls (i.e., checks and balances) in place between the business and personnel departments to prevent fraudulent activity?
- Is position control reconciled against the budget during the fiscal year?
- Does the district offer or ensure that staff attend professional development regarding financial management and budget?

Is the district's fiscal health acceptable in the following areas?	Yes	No	N/A
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12. Budget Development and Adoption	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Is a budget calendar used that contains statutory due dates and the major budget development milestones?
- Are there clear processes and policies in place to analyze resources and allocations to ensure that they align with strategic planning objectives and that the budget reflects the district's priorities?
- Is the 50% Law correctly calculated and understood?
- Are projections for FTES, enrollment, and revenue accurate and reasonable?
- Is the district decreasing deficit spending and maintaining adequate reserves and fund balance when compared with the prior year?
- Is the budget developed using a zero-based method rather than being a rollover budget?
- Does the district use position control data for budget development?
- Does the budget development process include input from staff, administrators, board and community, as well as the budget advisory committee (if there is one)? . . .
- Is the tentative budget adopted by the governing board no later than June 30? . . .

13. Multiyear Projections	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Is the final budget adopted by the governing board no later than September 15, and is it based on standards and criteria for fiscal stability?
- Has the district developed multiyear projections that have reasonable assumptions? . .
- Are projected fund balance reserves disclosed and based on the most reasonable and accurate information available?
- At a minimum, are the multiyear projections compiled at budget adoption and at the time of quarterly fiscal status reports?

14. Budget Monitoring and Updates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Are budget assumptions updated throughout the year as updated information becomes available?
- Are actual revenue and expenses in line with the most current budget?
- 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?
- Are contributions to restricted programs controlled and monitored?
- Has the district identified the repayment sources for long-term debt or non-voter-approved debt (e.g. certificates of participation, capital leases)?
- Does the district's financial system have a hard-coded warning regarding insufficient funds for requisitions and purchase orders?

Is the district's fiscal health acceptable in the following areas?	Yes	No	N/A
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|---|--------------------------|--------------------------|--------------------------|
| • Does the district encumber salaries and benefits? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are the balance sheet accounts in the general ledger reconciled regularly? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the district complete and file its quarterly fiscal status reports within the statutory deadlines and ensure that they are based on standards and criteria for fiscal stability? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

15. Retiree Health Benefits	<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? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the district have a plan for addressing the retiree benefits liabilities? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the district conducted a re-enrollment process to identify eligible retirees? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

16. Leadership/Stability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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| • Does the district have a chancellor or superintendent/president and/or chief business official who has been with the district more than two years? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the governing board adopt and revise understandable and timely policies and support the administration to ensure implementation? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the chancellor or superintendent/president adopt and revise understandable and timely administrative regulations and ensure that adopted board policies and approved administrative regulations are communicated to staff and followed? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the governing board refrain from micromanaging district administration and staff? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

17. Internal Controls and Annual Independent Audit Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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| • Does the district implement appropriate measures to discourage and detect fraud? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Did the district receive an independent audit report without material findings? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Can the audit findings be addressed without affecting the district's fiscal health? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the independent audit report been completed and presented within the statutory timeline? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are audit findings and recommendations reviewed with the board? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Did the audit report meet both GAAP and GASB standards? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

18. Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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| • Has the district passed a general obligation bond? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the district met the audit and reporting requirements of Proposition 39? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the district met IRS spending timeline compliance requirements for bond monies issued to the district? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the district have sufficient personnel to properly track and account for facility-related projects? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the district prioritize facility issues when adopting a budget? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Is the district's fiscal health acceptable in the following areas?	Yes	No	N/A
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- 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 the district can use rather than declaring the property as surplus, such as entering into agreements with some entities for joint use or joint occupancy, per the Education Code?

19. General Ledger	Yes	No	N/A
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- Does the district record all financial activity for all programs accurately and in a timely manner, ensuring that work is properly supervised and reviewed?
- Has the district closed the general ledger (books) within the time prescribed by the chancellor's or superintendent's/president's office?
- 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 suspense accounts, including payroll, 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.			
0 – 5	6 – 10	11 – 16	17 – 19
Low	Moderate	High	Extremely High

Total "No" Responses