

Business and Noninstructional Operations

FINANCIAL REPORTS AND ACCOUNTABILITY

The Board of Trustees is committed to ensuring the fiscal health of the district and providing public accountability. The Board shall adopt sound fiscal policies, oversee the district's financial condition, and continually evaluate whether the district's budget and financial operations support the district's goals for student achievement.

The Superintendent or designee shall provide the Board with financial reports throughout the year in accordance with law and as otherwise requested by the Board.

Based on financial reports provided by the Superintendent or designee and in accordance with law and administrative regulation, the Board shall:

1. Approve and file an annual statement of the district's receipts and expenditures for the preceding fiscal year (Education Code 42100)
2. Adopt a resolution identifying the district's estimated appropriations limit for the current fiscal year and the actual appropriations limit for the preceding fiscal year (Education Code 42132; Government Code 7910)
3. Approve interim fiscal reports and certify whether the district will be able to meet its fiscal obligations for the remainder of the fiscal year and two subsequent fiscal years (Education Code 42130, 42131)
4. Provide for an annual audit, select an independent auditor, and review the audit report (Education Code 41020, 41020.3)

The independent auditor shall present the audit report to the Board at a public meeting and the Board shall have an opportunity to ask questions of the auditor and request further information about the audit findings.

The Board shall regularly communicate the district's financial position to the public and shall use financial reports to determine what actions and budget amendments, if any, are needed to ensure the district's financial stability.

If district conditions predict fiscal distress or indicate that the district might not be able to meet its fiscal obligations, the Board and Superintendent or designee shall act quickly to identify and resolve these conditions. The Board shall work cooperatively with the County Superintendent of Schools to improve the district's fiscal health and may contract with an external individual or organization to advise the district on fiscal matters.

FINANCIAL REPORTS AND ACCOUNTABILITY (continued)

Legal Reference:

EDUCATION CODE

- 1240 Duties of County superintendent of schools
- 14500-14508 Financial and compliance audits
- 17150 Public disclosure of non-voter-approved debt
- 17170-17199.5 California School Finance Authority
- 33127 Standards and criteria for local budgets and expenditures
- 33128 Standards and criteria; inclusions
- 33129 Standards and criteria; use by local agencies
- 35035 Powers and duties of superintendent
- 41010-41023 Accounting system
- 41326 Emergency apportionment
- 41344 Repayment of apportionment significant audit exceptions
- 41344.1 Appeals of audit findings
- 41455 Examination of financial problems of local districts
- 42100-42105 Requirement to prepare and file annual statement
- 42120-42129 Budget requirements
- 42130-42134 Financial reports and certifications
- 42140-42142 Public disclosure of fiscal obligations
- 42637 County Superintendent review of district's financial and budgetary conditions
- 42652 Revocation or suspension of warrant authority

GOVERNMENT CODE

- 3540.2 School district; qualified or negative certification; proposed agreement review and comment
- 7900-7914 Appropriations limit
- 16429.1 Local agency investment fund
- 53646 Reports of investment policy and compliance

CODE OF REGULATIONS, TITLE 5

- 15060 Standardized account code structure
- 15070 Submission of reports using standardized account code structure
- 15440-15451 Criteria and standards for school district budgets
- 15453-15464 Criteria and standards for school district interim reports

Management Resources:

CSBA PUBLICATIONS

Maximizing School Board Governance: Fiscal Accountability, 2006

FINANCIAL REPORTS AND ACCOUNTABILITY (continued)

CALIFORNIA DEPARTMENT OF EDUCATION COMMUNICATIONS

New Financial Reporting Requirements for Postemployment Benefits Other than Pensions,
February 26, 2007

1208.00 Audit Resolution Process: Repayment Plans

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, September
2006

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Statement 34, Basic Financial Statements and Management's Discussion and Analysis - For State
and Local Governments, June 1999

Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits
Other Than Pensions, June 2004

**U.S. GENERAL ACCOUNTING OFFICE AND PRESIDENT'S COUNCIL ON
INTEGRITY AND EFFICIENCY (PCIE) PUBLICATIONS**

Financial Audit Manual, revised 2003

U.S OFFICE OF MANAGEMENT AND BUDGET CIRCULARS

A-133 Audits of States, Local Governments, and Non-Profit Organizations

STATE CONTROLLER PUBLICATIONS

Standards and Procedures for Audits of California K-12 Local Educational Agencies (annual
publication)

WEB SITES

CSBA: <http://www.csba.org>

California Association of School Business Officials: <http://www.casbo.org>

California County Superintendents Educational Services Association: <http://www.csesa.org>

California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>

Education Audit Appeals Panel: <http://www.eaap.ca.gov>

Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>

Governmental Accounting Standards Board: <http://www.gasb.org>

School Services of California: <http://www.sscal.com>

State Controller's Office: <http://www.sco.ca.gov>

U.S. Government Accounting Office: <http://www.gao.gov>

U.S. Office of Management and Budget: <http://www.whitehouse.gov/omb>

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FINANCIAL REPORTS AND ACCOUNTABILITY

Unaudited Actual Receipts and Expenditures

The Superintendent or designee shall prepare a statement of all unaudited actual receipts and expenditures of the district for the preceding fiscal year, using the state's standardized account code structure (SACS) as prescribed by the Superintendent of Public Instruction (SPI). On or before September 15, the Governing Board shall approve this statement and file it with the County Superintendent of Schools. (Education Code 42100)

Gann Appropriations Limit Resolution

The Board shall adopt a resolution by September 15 of each year to identify, pursuant to Government Code 7900-7914, the estimated appropriations limit for the district for the current fiscal year and the actual appropriations limit of the district during the preceding year. Documentation used to identify these limits shall be made available to the public on the day of the Board meeting. (Education Code 42132; Government Code 7910)

Interim Reports

The Superintendent or designee shall submit two interim fiscal reports to the Board, the first report covering the District's financial and budgetary status for the period ending October 31 and the second report covering the period ending January 31. The reports and supporting data shall be made available by the District for public review. (Education Code 42130)

Each interim report shall include an assessment of the district budget as revised to reflect current information regarding the adopted state budget, district property tax revenues, if any, and ending balances for the preceding fiscal year. The report shall be based on criteria and standards adopted by the State Board of Education (SBE) which address fund and cash balances, reserves, deficit spending, estimation of average daily attendance (ADA), projected enrollment, ratio of ADA to enrollment, projected revenue limit, salaries and benefits, other revenues and expenditures, and facilities maintenance. The report shall also provide supplemental information regarding contingent liabilities, use of one-time revenues for ongoing expenditures, contingent revenues, contributions, long-term commitments, unfunded liabilities, temporary interfund borrowings, the status of labor agreements, and the status of other funds. (Education Code 33128.3, 42130, 42131; 5 CCR 15453-15464)

Within 45 days after the close of the period reported, the Board shall approve the interim fiscal reports and clarify, on the basis of the interim report and any additional financial information known by the Board to exist at the time of certification, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the subsequent fiscal year. The certification shall be classified as one of the following: (Education Code 42130, 42131)

FINANCIAL REPORTS AND ACCOUNTABILITY (continued)

1. “Positive Certification” indicating that the District will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
2. “Qualified Certification” indicating that the District may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
3. “Negative Certification” indicating that the District will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

The Superintendent or designee shall submit a copy of the interim report and certification to the County Superintendent using the state's SACS software, as prescribed by the SPI. (Education Code 42130, 42131)

If the district submits a positive certification that is subsequently changed by the County Superintendent to a qualified or negative certification, the district may appeal the decision to the SPI within five days of receiving the notice of change. (Education Code 42131)

Whenever the district receives a qualified or negative certification as determined by the Board or the County Superintendent, the Superintendent or designee shall cooperate in the implementation of any remedial actions taken by the County Superintendent under the authority granted to him/her pursuant to Education Code 42131.

Whenever the County Superintendent conducts a comprehensive review of the District's financial and budgetary conditions after determining that the district's budget does not comply with SBE-adopted criteria and standards for fiscal stability, the Board shall review the County Superintendent's recommendations at a public Board meeting. Within 15 days of receiving the report, the District shall notify the County Superintendent and the SPI of its proposed actions on the recommendations. (Education Code 42637)

If the second interim report of the fiscal year is accompanied by a qualified or negative certification as determined by the Board or the County Superintendent, the Superintendent or designee shall no later than June 1, provide to the County Superintendent, the State Controller, and the SPI a financial statement that reports data for the period ending April 30 and projects the district's fund and cash balances as of June 30. (Education Code 42131)

Audit Report

By April 1 of each year, the Board shall provide for an audit of the District's books and accounts or the County Superintendent shall make arrangements to provide for that audit. (Education Code 41020)

The Superintendent or designee shall establish a timetable for the completion and review of the audit within the deadlines established by law.

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To conduct the audit, the Board shall select a certified public accountant, or public accountant licensed by the State Board of Accountancy from among those deemed qualified by the State Controller. (Education Code 41020, 41020.5)

The Board shall not select any public accounting firm to provide audit services if the lead or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the district in each of the six previous fiscal years. (Education Code 41020)

While a public accounting firm is performing the audit of the district, it shall not provide any nonauditing, management or other consulting services except as provided in Government Accounting Standards, Amendment #3, published by the U.S. Government Accounting Office. (Education Code 41020)

The audit shall include an audit of income and expenditures by source of funds for all funds of the district, including the student body and cafeteria funds and accounts and any other funds under the control or jurisdiction of the district, as well as an audit of student attendance procedures. (Education Code 41020)

The Superintendent or designee shall cooperate with the auditor to provide the necessary financial records and to ensure that the audit report contains all information required by law and the Governmental Accounting Standards Board (GASB).

By January 31 of each year, the Board shall review, at an open meeting, the annual district audit for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or any issue raised in a management letter. (Education Code 41020.3)

To the extent possible, the Board's review shall occur prior to December 15 to provide the Board and the community an opportunity to review the audit before it is submitted to local and state agencies.

No later than December 15, the Superintendent or designee shall file the report of the audit for the preceding fiscal year with the County Superintendent, the California Department of Education, and the State Controller. (Education Code 41020)

If an audit finding results in the district being required to repay an apportionment or pay a penalty, the district may appeal the finding to the Education Audit Appeals Panel by making an informal, summary appeal within 30 days of receiving the final audit report or initiating a formal appeal within 60 days of receiving the report. (Education Code 41344, 41344.1)

Whenever the district reports a negative unrestricted fund balance or a negative cash balance in its annual budget or annual audit report, it shall include in the budget a statement that identifies the reasons for the negative unrestricted fund balance or negative cash balance and the steps that

FINANCIAL REPORTS AND ACCOUNTABILITY (continued)

have been taken to ensure that the negative balance will not occur at the end of the current fiscal year. (Education Code 42127.5)

Non-Voter-Approved Debt Report

Upon approval by the Board to proceed with the issuance of revenue bonds or any agreement for financing school construction, pursuant to Education Code 17170-17199.5, the Superintendent or designee shall notify the County Superintendent and the county auditor. The Superintendent or designee shall provide the Board, the county auditor, the County Superintendent and the public with related repayment schedules and evidence of the District's ability to repay the obligation. (Education Code 17150)

When the Board is considering the issuance of certificates of participation and other debt instruments that are secured by real property and do not require the approval of the voters of the district, the Superintendent or designee shall provide notice to the County Superintendent and county auditor no later than 30 days before the Board's approval to proceed with issuance. The Superintendent or designee shall provide the Board, the county auditor, the County Superintendent, and the public with information necessary to assess the anticipated effect of the debt issuance, including related repayment schedules, evidence of the district's ability to repay the obligation, and the issuance costs. (Education Code 17150.1)

Other Postemployment Benefits Report (GASB 45)

In accordance with GASB Statement 45, the district's financial statements shall report the annual expense of nonpension other postemployment benefits (OPEBs) on an accrual basis over the retiree's active working lifetime, as determined by a qualified actuary procured by the Superintendent or designee. To the extent that these OPEBs are not prefunded, the district shall report a liability on its financial statements.

The Superintendent or designee shall annually present the estimated accrued but unfunded cost of OPEBs and the actuarial report upon which those costs are based at a public meeting of the Board. (Education Code 42140)

The amount of the district's financial obligation for OPEBs shall be reevaluated every two or three years in accordance with GASB 45 depending on the number of members in the OPEB plan.

- (cf. 1340 - Access to District Records)
- (cf. 3430 - Investing)
- (cf. 3451 - Petty Cash Funds)
- (cf. 3452 - Student Activity Funds)
- (cf. 3551 - Food Service Operations/Cafeteria Fund)
- (cf. 5117 - Interdistrict Attendance)
- (cf. 9322 - Agenda/Meeting Materials)

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(cf. 4154/4254/4354 - Health and Welfare Benefits)

(cf. 9250 - Remuneration, Reimbursement and Other Benefits)

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