

**FINANCIAL REPORTS AND ACCOUNTABILITY**

The Board of Trustees is committed to ensuring public accountability and the fiscal health of the district. 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.

*(cf. 3100 - Budget)*  
*(cf. 3110 - Transfer of Funds)*  
*(cf. 3300 - Expenditures and Purchases)*  
*(cf. 3430 - Investing)*  
*(cf. 4143/4243 - Negotiations/Consultation)*  
*(cf. 9000 - Role of the Board)*

The Superintendent/Principal or designee shall ensure that all financial reports are prepared in accordance with law and in conformity with generally accepted accounting principles and financial reporting standards stipulated by the Governmental Accounting Standards Board and the California Department of Education (CDE). He/she shall establish a system of ongoing internal controls to ensure the reliability of financial reporting.

*(cf. 3400 - Management of District Assets/Accounts)*

When required by law or the Board, the Superintendent/Principal or designee shall submit to the Board reports of the district's financial status, including, but not limited to, any report specified in this Board policy or accompanying administrative regulation. When any such report must be approved by the Board prior to its submission to a local, state, and/or federal agency, the Superintendent/Principal or designee shall provide the report to the Board in sufficient time to enable the Board to carefully review the report and meet any applicable submission deadline.

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.

*(cf. 1340 - Access to District Records)*

If district conditions predict fiscal distress or indicate that the district might not be able to meet its fiscal obligations, the Board and Superintendent/Principal 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.

**Unaudited Actual Receipts and Expenditures**

On or before September 15, the Board shall approve and file with the County Superintendent a statement of the district's unaudited actual receipts and expenditures for the preceding fiscal

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## **FINANCIAL REPORTS AND ACCOUNTABILITY** (continued)

year. The Superintendent/Principal or designee shall prepare this statement using the state's standardized account code structure (SACS) as prescribed by the Superintendent of Public Instruction (SPI). (Education Code 42100)

### **Gann Appropriations Limit Resolution**

On or before September 15, the Board shall adopt a resolution identifying, pursuant to Government Code 7900-7914, the district's estimated appropriations limit for the current fiscal year and the actual appropriations limit for the preceding fiscal 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)

*(cf. 9322 - Agenda/Meeting Materials)*

### **Interim Reports/Certification of Ability to Meet Fiscal Obligations**

The Superintendent/Principal 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)

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

1. "Positive certification" indicating that the district will meet its financial obligations for the current fiscal year and two subsequent 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/Principal or designee shall submit a copy of each interim report and certification to the County Superintendent using the state's SACS software, as prescribed by the SPI. (Education Code 42130, 42131)

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## **FINANCIAL REPORTS AND ACCOUNTABILITY** (continued)

If the district's certification is subsequently changed by the County Superintendent from a positive to a qualified or negative certification, or from a qualified to a negative certification, the Board 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 from the Board or the County Superintendent, the Superintendent/Principal or designee shall cooperate in the implementation of any remedial actions taken or prescribed by the County Superintendent under the authority granted to him/her pursuant to Education Code 42131.

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

At any time during the year when the County Superintendent conducts a comprehensive review of the district's financial and budgetary conditions after he/she has determined that the district's budget does not comply with state 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 recommendation. (Education Code 42637)

### **Audit Report**

By April 1 of each year, the Board shall provide for an annual audit of the district's books and accounts. (Education Code 41020)

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)

No later than December 15, the report of the audit for the preceding fiscal year shall be filed with the County Superintendent, the CDE, and the State Controller. (Education Code 41020)

Prior to December 15 whenever possible, but in no case later than January 31, 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)

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## **FINANCIAL REPORTS AND ACCOUNTABILITY** (continued)

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

### **Audit Committee**

The Board may appoint an audit committee composed of staff knowledgeable about fiscal matters, other staff, and representatives of the community.

*(cf. 1220 - Citizen Advisory Committees)*

*(cf. 9130 - Board Committees)*

*(cf. 9140 - Board Representatives)*

The committee shall serve in an advisory capacity and may:

1. Make recommendations regarding the selection of the external independent auditor in accordance with Education Code 41020 and 41020.5
2. Review the plan for the audit process with the independent auditor to determine the adequacy of the nature, scope, and timetable of the audit
3. Review the results of the audit and participate with the independent auditor and management in preparing final recommendations and responses
4. Participate with the independent auditor in presenting the audit report to the Board
5. Review Board policies and administrative regulations to recommend any revisions needed to ensure effective financial reporting
6. Provide input on the effectiveness of the independent auditor
7. Periodically report to the Board regarding the status of previous audit recommendations for improving the accounting and internal control systems

*Legal Reference: (see next page)*

**FINANCIAL REPORTS AND ACCOUNTABILITY (continued)**

*Legal Reference:*

EDUCATION CODE

1240 Duties of county superintendent of schools  
14500-14508 Financial and compliance audits  
17150-17150.1 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  
48300-48316 Student attendance alternatives  
52060-52077 Local control and accountability plan

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 FEDERAL REGULATIONS, TITLE 2

200.0 - 200.521 Federal uniform grant guidance

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  
19810-19816.1 Audits

UNITED STATES CODE, TITLE 31

7501- 7507 Single audits of federal program funds

*Management Resources:*

CALIFORNIA DEPARTMENT OF EDUCATION COMMUNICATIONS

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

*Audit Resolution Process: Repayment Plans, December 8, 2000*

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

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

*Management Resources continued: (see next page)*

**FINANCIAL REPORTS AND ACCOUNTABILITY (continued)**

*Management Resources: (continued)*

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

*Statement 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, June 2015*

*Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, March 2009*

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

STATE CONTROLLER PUBLICATIONS

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

U.S. GOVERNMENT ACCOUNTABILITY OFFICE AND PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) PUBLICATIONS

*Government Auditing Standards, 2011*

*Financial Audit Manual, revised 2008*

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.ccsesa.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 Accountability Office: <http://www.gao.gov>

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

**FINANCIAL REPORTS AND ACCOUNTABILITY****Interim Reports**

Each interim fiscal report developed pursuant to Education Code 42130 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. (Education Code 42130, 42131)

The interim reports shall be based on State Board of Education (SBE) criteria and standards which address fund and cash balances, reserves, deficit spending, estimation of average daily attendance (ADA), projected enrollment, ratio of ADA to enrollment, projected local control funding formula (LCFF) revenue, salaries and benefits, other revenues and expenditures, and facilities maintenance. For purposes of assessing projections of LCFF revenue, the first interim report shall be compared to the adopted district budget, and the second interim report shall be compared to the projections in the first interim report. (Education Code 42130; 5 CCR 15453-15464)

*(cf. 3100 - Budget)*

*(cf. 3220.1 - Lottery Funds)*

*(cf. 3300 - Expenditures and Purchases)*

*(cf. 3314 - Payment for Goods and Services)*

The report shall also provide supplemental information regarding contingent liabilities, use of one-time revenues for ongoing expenditures, contingent revenues, contributions (i.e., projected contributions from unrestricted general fund resources to restricted general fund resources, projected transfers to or from the general fund to cover operating deficits in the general fund or any other fund, and capital project cost overruns that may impact the general fund budget), long-term commitments, unfunded liabilities, temporary interfund borrowings, the status of labor agreements, and the status of other funds. (Education Code 42130; 5 CCR 15453, 15464)

*(cf. 3110 - Transfer of Funds)*

**Audit Report**

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

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

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, state and federal grant funds, and any other funds under the control or jurisdiction of the district, as well as an audit of student attendance procedures. The audit shall also include a determination of whether LCFF funds were expended in accordance with the district's local control and accountability plan or an approved annual update of the plan. (Education Code 41020)

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*(cf. 0460 - Local Control and Accountability Plan)*  
*(cf. 3230 - Federal Grant Funds)*  
*(cf. 3430 - Investing)*  
*(cf. 3451 - Petty Cash Funds)*  
*(cf. 3452 - Student Activity Funds)*  
*(cf. 3551 - Food Service Operations/Cafeteria Fund)*

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)

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

**Report on Expenditures of State Facilities Funds**

When the district participates in the school facilities program pursuant to Education Code 17070.10-17079.30, the Superintendent/Principal or designee shall annually report a detailed list of all expenditures of state facilities funds, including interest, and of the district's matching funds for completed projects until all such funds are expended. The report shall identify expenditures on a project-by-project basis, reflect completed projects that were reimbursed within that fiscal year, and clearly indicate the list of projects that have been completed. (Education Code 41024; 2 CCR 1859.104)

Audits of facilities projects shall be concluded within one year of project completion, and shall be included as part of the district's audit for the fiscal year in which the project is reported as completed. A project shall be deemed completed when any of the following conditions is met: (Education Code 41024; 2 CCR 1859.104)

1. When the notice of completion for the project has been filed, all outstanding invoices, claims, and change orders have been satisfied, and the facility is currently in use by the district
2. Three years from the date of the final fund release for an elementary school project
3. Four years from the date of the final fund release for a middle or high school project

**FINANCIAL REPORTS AND ACCOUNTABILITY** (continued)**Fund Balance**

In accordance with GASB Statement 54, external financial reports shall report fund balances in the general fund within the following classifications based on the relative strength of constraints placed on the purposes for which resources can be used:

1. Nonspendable fund balance, including amounts that are not expected to be converted to cash, such as resources that are not in a spendable form or are legally or contractually required to be maintained intact
2. Restricted fund balance, including amounts constrained to specific purposes by their providers or by law
3. Committed fund balance, including amounts constrained to specific purposes by the Board
4. Assigned fund balance, including amounts which the Board or its designee intends to use for a specific purpose
5. Unassigned fund balance, including amounts that are available for any purpose

**Negative Balance Report**

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 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/Principal or designee shall notify the County Superintendent of Schools and the county auditor. The Superintendent/Principal 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)

*(cf. 3470 - Debt Issuance and Management)*

*(cf. 7214 - General Obligation Bonds)*

**FINANCIAL REPORTS AND ACCOUNTABILITY (continued)**

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/Principal 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/Principal 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**

In accordance with GASB Statement 75, the district's financial statements shall report the expense of nonpension other postemployment benefits (OPEBs) on an accrual basis over retirees' active working lifetime, as determined by a qualified actuary procured by the Superintendent/Principal or designee. To the extent that these OPEBs are not prefunded, the district shall report a liability on its financial statements.

*(cf. 4154/4254/4354 - Health and Welfare Benefits)*  
*(cf. 9250 - Remuneration, Reimbursement and Other Benefits)*

The Superintendent/Principal 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 district's financial obligation for OPEBs shall be reevaluated every two years in accordance with GASB 75.

**Workers' Compensation Claims Report**

The Superintendent/Principal or designee shall annually provide the Board, at a public meeting, information and related actuarial reports showing the estimated accrued but unfunded cost of workers' compensation claims. The estimate of costs shall be based on an actuarial report completed at least every three years by a qualified actuary. (Education Code 42141)