

## **BUSINESS**

### **FINANCIAL REPORTS AND ACCOUNTABILITY**

#### **Unaudited Actual Receipts and Expenditures**

The Chief Business Official 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 Board of Trustees 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 the estimated appropriations limit for the District for the current fiscal year and the actual appropriations limit of the District during the preceding year, as determined pursuant to Government Code 7900-7914. 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 Chief Business Official 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)

The 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 year. The review shall be based on criteria and standards adopted by the State Board of Trustees (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 review shall also consider 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 report and certify, 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)

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 Chief Business Official 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, it 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 standards and criteria 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 Chief Business Official 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 Chief Business Official or designee shall establish a timetable for the completion and review of the audit within the deadlines established by law.

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 firm is performing the audit of the District, it shall not provide any non-auditing, management, or other consulting services for the District 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 District's audited financial report shall include:

1. Management's discussion and analysis, which shall introduce the basic financial statements and provide an analytical overview of the District's financial activities, including:
  - a. An objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, and conditions
  - b. Comparisons of the current year to the prior year
  - c. An analysis of the District's overall financial position, enabling a determination as to whether that position has improved or deteriorated as a result of the year's activities
  - d. An analysis of significant changes that occur in funds and significant budget variances
  - e. A description of capital asset and long-term debt activity during the year
  - f. A description of currently known facts, decisions, and conditions that are expected to have a significant effect on the District's financial position
2. Basic financial statements, including:
  - a. District wide financial statements, consisting of a statement of net assets and a statement of activities which report all of the assets, liabilities, revenues, expenses, and gains and losses of the District

- b. Fund financial statements, consisting of a series of statements that focus on information about the District's major governmental and enterprise funds, including its blended component units
  - c. Notes to the financial statements that are essential to a user's understanding of the basic financial statements
3. Supplementary information required by the Governmental Standards Accounting Board (GASB), including, but not limited to, budgetary comparison schedules

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)

No later than December 15, the Chief Business Official 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)

### **Fund Balance**

In accordance with Governmental Accounting Standards Board (GASB) 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. Non-spendable 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 Chief Business Official or designee shall notify the County Superintendent and the county auditor. The Chief Business Official 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)

In the case 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, notice shall be provided to the County Superintendent and county auditor no later than 30 days before the Board's approval to proceed with issuance. The Chief Business Official 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 non-pension other postemployment benefits (OPEBs) on an accrual basis over the retiree's active working lifetime, as determined by a qualified actuary procured by the Chief Business Official or designee. To the extent that these OPEBs are not prefunded, the District shall report a liability on its financial statements.

The Chief Business Official 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.

Approved: May 17, 2011