

FINANCIAL REPORTS AND ACCOUNTABILITY

Interim Reports

The Superintendent or designee shall submit two interim fiscal reports to the Governing 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 also be made available by the district for public review.

Within 45 days after the close of the period reported, the Board shall assess the interim report on the basis of criteria adopted by the State Board of Education pursuant to Education Code 33127 and on current information regarding the adopted state budget, district property tax revenues if any, and ending balances for the preceding year. The Board shall approve the fiscal report and send it to the County Office of Education in a format or on forms prescribed by the Superintendent of Public Instruction. In addition, the Board shall submit its certification of the district's financial status based on current projections, in accordance with the following:

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

If the second interim report of the fiscal year is accompanied by a qualified or negative certification as determined by the Board or subsequently by the County Superintendent, the Superintendent or designee shall, no later than June 1, provide to the County Superintendent, the Controller, and the Superintendent of Public Instruction 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.

Whenever the district has a settlement with any of its bargaining union, it shall allow the county office of education at least 10 working days to review and comment on any proposed agreement with exclusive representatives of employees. The district shall provide the County Superintendent with all information relevant to provide an understanding of the financial impact of any final collective bargaining agreement.

Fund Balance Policy

The District shall establish and maintain reservations of fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. Nonspendable Fund Balance consists of funds that cannot be spent because they are:
 - a. Not in a spendable form (e.g. inventories and prepaid amounts)
 - b. Legally or contractually required to be maintained intact (e.g. debt service reserve)

The Superintendent or designee shall report all Nonspendable Funds appropriately in the District's Financial Statements.

2. Restricted Fund Balance consists of funds that have constraints placed on their use either:
 - a. Externally by creditors, grantors or contributors
 - b. By laws, regulations or by other governments
 - c. Through constitutional provisions or enabling legislation

The Superintendent or designee shall report all Restricted Funds appropriately in the District's Financial Statements.

3. Committed Fund Balance consists of funds that are set aside for a specific purpose by the Governing Board.

The Governing Board has the authority to commit funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote or approval through the budget adoption process. The commitment must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

4. Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the Superintendent or designee. Assigned funds cannot cause a deficit in the Unassigned Fund Balance.

Authority is given to the Superintendent or designee to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the Governing Board at their next regular meeting. The governing board has the authority to remove or change the assignment of the funds with a simple majority vote.

5. Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also includes a Reserve for Economic Uncertainties. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures or revenue shortfalls up to the minimum established level upon approval of a budget revision by the Governing Board.

The District will maintain a Reserve for Economic Uncertainties of at least 3% of total General Fund operating expenditures and other financing uses. The rationale for this level of reserves is:

- To meet state-required reserve levels in accordance with the standards and criteria adopted by the State Board of Education (Education Code 33128)
- To provide adequate cash to meet financial obligations
- To provide available funds to meet unanticipated or emergency financial obligations
- To provide stability during periods of economic distress.

This minimum reserve level may be increased by a resolution of the Governing Board.

Annual Statement of Unaudited Actuals

On a form prescribed by the Superintendent of Public Instruction, the Superintendent or designee shall prepare a statement of Unaudited Actuals of the District for the preceding fiscal year. On or before September 15, the Board shall approve this statement and file it with the County Office of Education.

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. Documentation used to identify these limits shall be made available to the public on the day of the Board meeting.

Audit Report

By April 1 of each year, the Board shall either provide for an audit of the district's books and accounts or make arrangements with the County Superintendent to provide for that audit.

The Superintendent 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.

The Board shall not select any public accounting firm to provide audit services if the lead audit partner 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.

While a firm is performing the audit of the district, it shall not provide any non-auditing, management or other consulting services except as provided in Government Accounting Standards, Amendment #3, published by the U.S. Government Accounting Office.

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.

The district's audited financial reports 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. Districtwide 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
 - d. Supplementary information required by the Governmental Standards Accounting Board, including but not limited to budgetary comparison schedules

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.

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.

Non-Voter-Approved Debt Report

Whenever the Board approves the issuance of certificates of participation bonds, revenue bonds, or any agreement for financing school construction, 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. Within 15 days, the County Superintendent and county auditor may comment publicly to the Board regarding the district's capability to repay the debt.

Accrued Benefits and Claims Report

The Superintendent or designee shall plan for the implementation of the Governmental Accounting Standards Board Statement 45, including the procurement of a qualified actuary to determine the district's annual expense and liability for post-employment health and welfare benefits. In addition, the Superintendent or designee shall recommend actions to the Board to mitigate the financial impact to the district of any unfunded liabilities.

Revised: July 15, 2011
(Adopted: October 24, 2007)