

## Policy 3460: Financial Reports And Accountability

The ~~Board of Education~~ **Governing Board** is committed to ensuring **public accountability** and the fiscal health of the district ~~and providing public accountability~~. The **Governing** Board shall adopt sound fiscal ~~policies~~ **management policies and practices**, oversee the district's financial condition, and ~~ensure that the~~ **continually evaluate whether the district's budget and** financial ~~systems~~ **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.~~ ¶

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~~The Superintendent 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~~ **ensure that district 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). The Superintendent or designee shall establish a system of ongoing internal controls to ensure the reliability of financial reporting.**

When required by law or as directed by the **Governing** Board, the Superintendent or designee shall submit to the **Governing** 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 submission of any such report to a local, state, and/or federal agency requires prior **Governing** Board approval, the Superintendent or designee shall provide the report to the **Governing** Board in sufficient time to enable the **Governing** Board to carefully review the report without breaking any applicable submission deadline.

The **Governing** Board shall **regularly communicate** ~~assess~~ the district's financial position **multiple times per year** and **communicate the results** to the public, and shall use financial reports to determine ~~what~~ the actions and budget amendments, if any, ~~that~~ 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 **Governing** Board and Superintendent or designee shall ~~act quickly to identify and~~ **take action to** resolve these conditions ~~without delay~~. The **Governing** 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~~ **provide** the district ~~on fiscal matters.~~ ¶

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**Audit Committee** ¶

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~~The Board may establish an audit committee composed of staff knowledgeable in fiscal matters, other staff, and representatives of the community. The committee shall serve in an advisory capacity to the Board and shall:~~

- ~~1. Make recommendations regarding the selection of the external independent auditor~~
- ~~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~~

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### ~~Fiscal Policy Team~~

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~~The Board may establish a fiscal policy team to periodically~~with needed advice or fiscal management or training.

If the district is facing fiscal insolvency, the **Governing** Board may consider applying to the state for an emergency apportionment that exceeds 200 percent of the district's recommended reserve. Before applying for such emergency apportionment, the **Governing** Board shall discuss, at a regular or special meeting, the need for an emergency apportionment and receive testimony regarding the apportionment from parents/guardians, the exclusive representatives of employees of the district, and other members of the community. (Education Code 41326)

### Unaudited Actual Receipts and Expenditures

On or before September 15, the **Governing** Board shall approve and file with the County Superintendent a statement of the district's unaudited actual receipts and expenditures for the preceding fiscal year. The Superintendent 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 **Governing** Board shall, at a regular or special meeting, 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 **Governing** Board meeting. (Education Code 42132; Government Code 7910)

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

Each fiscal year, the Superintendent or designee shall submit two interim reports to the **Governing** Board. The first report shall cover the district's financial and budgetary status for the period ending October 31 and the second report shall cover the period ending January 31. These 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 **Governing** Board shall approve the interim report and, on the basis of the interim report and any additional financial information known by the **Governing** Board, shall certify in writing 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 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)

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 **Governing** 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 **Governing** Board or the County Superintendent, the Superintendent or designee shall cooperate in the implementation of any remedial actions taken or prescribed by the County Superintendent. (Education Code 42131)

If the second interim report is accompanied by a qualified or negative certification, the **Governing** 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)

If at any time during the fiscal year, the County Superintendent concludes that the district's budget does not comply with the standards and criteria for financial stability and conducts a comprehensive review of the district's ~~fiscal policies and procedures and advise the Board regarding long-range fiscal management plans. The fiscal policy team may be assigned to examine the fiscal and economic information needs of the district, the impact of budget allocations on district priorities, the financial health of the district, or other duties specified by the Board. The team shall work with the district's budget and audit committees and appropriate staff in carrying out its functions.~~ financial and budgetary conditions, the **Governing** Board shall review any report of the County Superintendent's findings and recommendations at a public Board meeting. Within 15 days of receiving the report, the district shall notify the County Superintendent and the SPI of the **Governing** Board's proposed actions on the recommendation. (Education Code 42637)

### **Audit Report**

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

To conduct the audit, the **Governing** 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)

Except when, as determined by the Education Audits Appeal Panel, no otherwise eligible auditor is available, a public accounting firm whose lead or coordinating audit partner having primary responsibility for the audit or whose audit partner responsible for reviewing the audit has

performed audit services for the district in each of the six previous fiscal years shall not be selected to perform a district audit. (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, CDE, and the State Controller. (Education Code 41020)

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

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

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 **Governing 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 **Governing** Board regarding the status of previous audit recommendations for improving the accounting and internal control systems