

OFFICE OF THE SOLANO COUNTY SUPERINTENDENT OF SCHOOLS

Series 3000 – BUSINESS AND NONINSTRUCTIONAL OPERATIONS

Policy 3460

Financial Reports and Accountability

The Solano County Office of Education (SCOE) is committed to ensuring the fiscal health of SCOE and providing public accountability. SCOE shall adopt sound fiscal policies, oversee SCOE's financial condition, and continually evaluate whether its budget and financial operations support its goals.

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

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 (GASB) and the California Department of Education (CDE). A system of ongoing internal controls shall be established to ensure the reliability of financial reporting.

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 SCOE's receipts and expenditures for the preceding fiscal year
2. Adopt a resolution identifying SCOE's estimated appropriations limit for the current fiscal year and the actual appropriations limit for the preceding fiscal year
3. Approve interim fiscal reports and certify whether SCOE will be able to meet its fiscal obligations for the remainder of the fiscal year and two subsequent fiscal years
4. Provide for an annual audit, select an independent auditor, and review the audit report

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

Unaudited Actual Receipts and Expenditures

The Superintendent or designee shall prepare a statement of all unaudited actual receipts and expenditures of SCOE for the preceding fiscal year, using the state's standardized account code structure (SACS) as prescribed by the Superintendent of Public Instruction (SPI).

Gann Appropriations Limit Resolution

The Board shall adopt a resolution by September 15 of each year to identify the estimated appropriations limit for SCOE for the current fiscal year and the actual appropriations limit of SCOE 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.

Interim Reports

The Superintendent or designee shall submit two interim fiscal reports to the Board, the first report covering SCOE's financial and budgetary status for the period ending October 31, and

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the second report covering the period ending January 31. The reports and supporting data shall also be made available by SCOE for public review.

Each interim report shall include an assessment of SCOE's budget as revised to reflect current information regarding the adopted state budget, 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 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.

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 SCOE 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:

1. "*Positive certification*" indicating that SCOE will meet its financial obligations for the current fiscal year and two subsequent fiscal years
2. "*Qualified certification*" indicating that SCOE may not meet its financial obligations for the current fiscal year or two subsequent fiscal years
3. "*Negative certification*" indicating that SCOE 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 State Superintendent of Public Instruction (SPI) using the state's SACS, as prescribed by the SPI.

Audit Report

By May 1 of each year, the Superintendent shall provide for an audit of SCOE's books and accounts.

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, SCOE 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.

SCOE 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 SCOE in each of the six previous fiscal years.

While a firm is performing SCOE's audit, it shall not provide any nonauditing, management, or other consulting services for SCOE 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 SCOE funds and any other funds under the control or jurisdiction of SCOE, as well as an audit of student attendance procedures.

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The Superintendent, designee, and staff shall cooperate with the auditor to provide necessary financial records and ensure that the audit report contains all information required by law and the GASB.

SCOE'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 SCOE's financial activities, including:
 - a. An objective and easily readable analysis of SCOE'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 SCOE'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 SCOE's financial position
2. Basic financial statements, including:
 - a. 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 SCOE
 - b. Fund financial statements, consisting of a series of statements that focus on information about SCOE'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 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 SCOE 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.

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

If an audit finding results in SCOE being required to repay an apportionment or pay a penalty, SCOE 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.

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

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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 SCOE
4. Assigned fund balance, including amounts which SCOE 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 SCOE 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.

Other Postemployment Benefits Report (GASB 45)

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

The amount of SCOE'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.

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

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Legal Reference: (Continued)

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

Policy Cross-Reference:

1340 Access to Records

3100 Budget

3110 Transfer of Funds

3300 Expenditures and Purchases

3400 Management of Assets/Accounts

3430 Investing

3452 Student Activity Funds

4143 Negotiations/Consultation

4154 Health and Welfare Benefits