

**CENTRAL UNION SCHOOL DISTRICT**  
**Administrative Regulation**

**AR 3460 (a)**

**Business and Noninstructional Operations**  
**Financial Reports And Accountability**

Unaudited Actual Receipts and Expenditures

The Superintendent 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 Governing Board 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 on or before September 15 of each year to identify, pursuant to Government Code 7900-7914, 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. (*Education Code 42132; Government Code 7910*)

Interim Reports

The Superintendent 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*)

(cf. 1340 - Access to District Records)

Each 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 fiscal year. The report shall be based on criteria and standards adopted by the State Board of Education (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 report shall also provide 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 15453-15466*)

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 Superintendent 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, the Superintendent or designee 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 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 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 Superintendent 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 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. (*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 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 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*)

(cf. 3430 - Investing)  
(cf. 3452 - Student Activity Funds)  
(cf. 3551 - Food Service Operations/Cafeteria Fund)  
(cf. 5117 - InterDistrict Attendance)

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

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*)

(cf. 9322 - Agenda/Meeting Materials)

To the extent possible, the Board's review shall occur prior to December 15 to provide the Board and the community an opportunity to review the audit before it is submitted to local and state agencies.

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. (*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

### **Purpose**

The term *fund balance* is used to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles or to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Five separate categories distinguish the fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *Nonspendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance*. The total of the last three categories, which include only resources without a constraint on spending for which the constraint on spending is imposed by the government itself, is termed *Unrestricted fund balance*.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (*e.g., revenue shortfalls and unanticipated expenditures*) and to ensure stable levels of operation. Fund balance levels are a crucial consideration, too, in long-term financial planning.

This policy is intended to provide guidelines for the preparation and execution of the annual budget and financial planning, and to further the goals of a strong fiscal position for the District. It is also the intent of this policy to promote clear communication of District financial constraints to users of District financial reports.

## Definitions

*Fund Balance* – Fund balance or fund equity is generally the difference between a fund's assets and liabilities.

*Fund Balance Categories*- The Fund Balance consists of five possible categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (*e.g. inventories and prepaids*) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose as required by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority (*governing board*). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- **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 provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

## Policy

### Authority to Commit Funds

The District's governing board serves as the District's highest level of decision making authority and will have sole authority for establishing constraints on the use of governmental fund balances classified as Committed. Formal board action to establish, modify or rescind fund balance Commitments will require either board approved policy designations or a majority approved resolution acted on before June 30<sup>th</sup> of each fiscal year. Committed funds cannot be used for any other purpose unless likewise modified by formal action of the board. The Committed amount subject to the constraint may be determined after June 30th.

This policy does hereby Commit all Unassigned Fund Balances in the following funds for the identified purposes:

*Fund 1400 Deferred Maintenance Fund* – Committed for the purpose of deferred maintenance expenditures as enumerated under Education Code Section 17582 (a)

*Fund 2000 Post Employment Benefits*-Committed for the purpose of having available funds for post employment benefits.

**Authority to Assign Funds**

The District’s governing board has sole authority to set aside funds as Assigned for an intended purpose. Authority for establishing or modifying Assigned Fund Balances is delegated to the Superintendent and the Assistant Superintendent of Business. Governing board approval for the establishment or modification of Assigned Fund Balances will occur by approved board policy or incorporation within state required budget and annual unaudited financial documents formally approved by board action.

**Order of Expenditure of Funds**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, Restricted Fund Balance will be considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, Committed amounts should be reduced first, followed by Assigned amounts and then Unassigned amounts.

**Minimum Unassigned Fund Balance**

Unassigned Fund Balance is the residual amount of fund balance in the general fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the general fund in order to cover unexpected expenditures and revenue shortfalls.

The District is determined to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted one-time expenditures. Therefore, the District will maintain an Unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127. In the event that the balance drops below the established minimum level, the District’s governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

The District will not establish the more restrictive Stabilization Arrangement under the Committed Fund Balance classification.

## 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*)

## Other Postemployment Benefits Report (*GASB 45*)

In accordance with GASB Statement 45, the District's financial statements shall report the annual 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 or designee. To the extent that these OPEBs are not prefunded, the District shall report a liability on its financial statements.

(cf. 9250 - Remuneration, Reimbursement and Other Benefits)

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. (*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.

## Workers' Compensation Claims Report

The Superintendent 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*)