

BP/SP3460 Financial Reports And Accountability  
**Business and Noninstructional Operations**

**Status:** ADOPTED  
July 16, 2013

The Modoc County Board of Education is committed to ensuring the fiscal health of the Modoc County Office of Education and providing public accountability. The County Board shall adopt sound fiscal policies, oversee the County Office's financial condition, and continually evaluate whether the County Office's budget and financial operations support the County Office's goals for student achievement.

When required by law or the Board, the County Superintendent or designee shall submit to the Board reports of the County Office's financial status, including, but not limited to, any report specified in policy or accompanying administrative regulation. When any such report must be approved by the County Board prior to its submission to a local, state, and/or federal agency, the County Superintendent or designee shall provide the report to the Board in sufficient time to enable the Board to carefully review the report and meet any applicable submission deadline.

The County Board shall regularly communicate the County Office's financial position to the public and shall use financial reports to determine what actions and budget amendments, if any, are needed to ensure the County Office's financial stability.

If County Office conditions predict fiscal distress or indicate that the County Office might not be able to meet its fiscal obligations, the County Board and County Superintendent or designee shall act quickly to identify and resolve these conditions. The County Board shall work cooperatively with the County Superintendent to improve the County Office's fiscal health and may contract with an external individual or organization to advise the County Office on fiscal matters.

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

On or before September 15, the Modoc County Board of Education shall approve a statement of the County Office's unaudited actual receipts and expenditures for the preceding fiscal year.

The County 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).

#### **Gann Appropriations Limit Resolution**

The County 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 County Office for the current fiscal year and the actual appropriations limit of the County Office during the preceding year. Documentation used to identify these limits shall be made available to the public on the day of the County Board meeting.

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

The County Superintendent or designee shall submit two interim fiscal reports to the County Board, the first report covering the County Office'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 County Office for public review.

Within 45 days after the close of the period reported, the County Board shall approve the interim fiscal report and certify, on the basis of the interim report and any additional financial information known by the County Board to exist at the time of certification, whether the County Office 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 the County Office will meet its financial obligations for the current fiscal year and two subsequent fiscal years
2. "Qualified certification" indicating that the County Office may not meet its financial obligations for the current fiscal year or two subsequent fiscal years
3. "Negative certification" indicating that the County Office will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year

The County Superintendent or designee shall submit a copy of the interim report and certification to the State Superintendent of Public Instruction using the state's SACS software, as prescribed by the SPI.

If the County Office submits a positive certification that is subsequently changed by the State Superintendent of Public Instruction to a qualified or negative certification, the County Office may appeal the decision to the SPI within five days of receiving the notice of change.

Whenever the County Office receives a qualified or negative certification as determined by the State Superintendent of Public Instruction the County 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.

If the second interim report of the fiscal year is accompanied by a qualified or negative certification as determined by the County Board or the County Superintendent, the County 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 County Office's fund and cash balances as of June 30.

At anytime during the year when the County Superintendent conducts a comprehensive review of the County Office's financial and budgetary conditions after determining that the County Office's budget does not comply with SBE-adopted criteria and standards for fiscal stability, the County Board shall review the County Superintendent's recommendations at a public County Board meeting. Within 15 days of receiving the report, the County Office shall notify the County Superintendent and the SPI of its proposed actions on the recommendations.

### **Audit Report**

Pursuant to Education Code 41020, if the County Office has a disapproved budget, has received a negative certification on any budget or interim fiscal report during the current fiscal year or either of the two preceding fiscal years, or has otherwise been determined by the County Superintendent to have a lack of going concern, any contract the County Office enters into for auditing services must be approved.

By April 1 of each year, the County Superintendent shall provide for an annual audit of the district's books and accounts.

To conduct the audit, the County Superintendent shall select a certified public accountant or public accountant licensed by the State County Board of Accountancy from among those deemed qualified by

the State Controller.

The County Superintendent/County Board of Education 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 County Office in each of the six previous fiscal years. No later than December 15, the County 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.

Prior to December 15 whenever possible, but in not By January 31 of each year, the County Board shall review, at an open meeting, the annual County Office 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.

The County 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 County 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 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

---

#### Legal Reference:

##### EDUCATION CODE

1240 Duties of county superintendent of schools

14500-14508 Financial and compliance audits

17150-17150.1 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  
48300-48316 Student attendance alternatives  
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  
19810-19816.1 Audits  
UNITED STATES CODE, TITLE 31  
7501- 7507 Single audits of federal program funds

Management Resources:

CSBA PUBLICATIONS

Maximizing School Board Governance: Fiscal Accountability, 2006

CALIFORNIA DEPARTMENT OF EDUCATION COMMUNICATIONS

New Financial Reporting Requirements for Postemployment Benefits Other than Pensions, February 26, 2007

Audit Resolution Process: Repayment Plans, December 8, 2000

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, September 2006

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, March 2009

Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, June 2004

Statement 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments, June 1999

STATE CONTROLLER PUBLICATIONS

Standards and Procedures for Audits of California K-12 Local Educational Agencies (annual publication)

U.S. GOVERNMENT ACCOUNTABILITY OFFICE AND PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) PUBLICATIONS

Government Auditing Standards, 2011

Financial Audit Manual, revised 2008

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULARS

A-133 Audits of States, Local Governments, and Non-Profit Organizations

## WEB SITES

CSBA: <http://www.csba.org>

California Association of School Business Officials: <http://www.casbo.org>

California County Superintendents Educational Services Association: <http://www.ccsesa.org>

California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>

Education Audit Appeals Panel: <http://www.eaap.ca.gov>

Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>

Governmental Accounting Standards Board: <http://www.gasb.org>

School Services of California: <http://www.sscal.com>

State Controller's Office: <http://www.sco.ca.gov>

U.S. Government Accountability Office: <http://www.gao.gov>

U.S. Office of Management and Budget: <http://www.whitehouse.gov/omb>