

**FINANCIAL REPORTS AND ACCOUNTABILITY**

**Interim Reports**

Each interim fiscal report developed pursuant to Education Code 42130 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. (Education Code 42130, 42131)

The interim reports shall be based on State Board of Education (SBE) criteria and standards which address fund and cash balances, reserves, deficit spending, estimation of average daily attendance (ADA), projected enrollment, ratio of ADA to enrollment, projected local control funding formula (LCFF) revenue, salaries and benefits, other revenues and expenditures, and facilities maintenance. For purposes of assessing projections of LCFF revenue, the first interim report shall be compared to the adopted district budget, and the second interim report shall be compared to the projections in the first interim report. (Education Code 42130; 5 CCR 15453-15464)

*(cf. 3100 - Budget)*

*(cf. 3220.1 - Lottery Funds)*

*(cf. 3300 - Expenditures and Purchases)*

*(cf. 3314 - Payment for Goods and Services)*

The report shall also provide supplemental information regarding contingent liabilities, use of one-time revenues for ongoing expenditures, contingent revenues, contributions (i.e., projected contributions from unrestricted general fund resources to restricted general fund resources, projected transfers to or from the general fund to cover operating deficits in the general fund or any other fund, and capital project cost overruns that may impact the general fund budget), long-term commitments, unfunded liabilities, temporary interfund borrowings, the status of labor agreements, and the status of other funds. (Education Code 42130; 5 CCR 15453, 15464)

*(cf. 3110 - Transfer of Funds)*

**Audit Report**

The Superintendent or designee shall establish a timetable for the completion and review of the annual audit within the deadlines established by law.

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

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, state and federal grant funds, and any other funds under the control or jurisdiction of the district, as well as an audit of student attendance procedures. The audit shall also include a determination of whether LCFF Funds were

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expended in accordance with the district's local control and accountability plan or an approved annual update of the plan. (Education Code 41020)

*(cf. 0460 - Local Control and Accountability Plan)*  
*(cf. 3230 - Federal Grant Funds)*  
*(cf. 3430 - Investing)*  
*(cf. 3451 - Petty Cash Funds)*  
*(cf. 3452 - Student Activity Funds)*  
*(cf. 3551 - Food Service Operations/Cafeteria Fund)*

If the district participates in the school district of choice program to accept interdistrict transfers, the Superintendent or designee shall notify the auditor, prior to the commencement of the audit, that the audit must include a review of the district's compliance with specified program requirements. (Education Code 48301)

*(cf. 5117 - Interdistrict Attendance)*

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)

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 Auditing Standards, Amendment #3, published by the U.S. Government Accountability Office. (Education Code 41020)

**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
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 the Board

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4. Assigned fund balance, including amounts which the Board 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 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)

**Non-Voter-Approved Debt Report**

Upon approval by the Board to proceed with the issuance of revenue bonds, the Superintendent or designee shall notify the County Superintendent of Schools 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. (Education Code 17150)

*(cf. 7214 - General Obligation Bonds)*

When the Board is considering the issuance of certificates of participation and other debt instruments that are secured by real property and do not require the approval of the voters of the district, the Superintendent or designee shall provide notice to the County Superintendent and county auditor no later than 30 days before the Board's approval to proceed with issuance. The Superintendent or designee shall provide the Board, the county auditor, the County Superintendent, and the public with information necessary to assess the anticipated effect of the debt issuance, including related repayment schedules, evidence of the district's ability to repay the obligation, and the issuance costs. (Education Code 17150.1)

**Other Postemployment Benefits Report**

In accordance with GASB Statement 75, the district's financial statements shall report the 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. 4154/4254/4354 - Health and Welfare Benefits)*

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

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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 district's financial obligation for OPEBs shall be reevaluated every two years in accordance with GASB 75.

**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)

**Special Fund Accounting**

Separate balanced records shall be maintained for each special fund operated and maintained by the Poway Unified School District. Special funds are highly restricted by law as to their usage.

Examples of special funds are the following:

**A. Adult Education Fund - Fund 11**

This fund is used to separate the income and expenditure records for the operation of the Adult Education Program from the records of the General Education Program (General Fund).

**B. Child Development Fund – Fund 12**

The Child Development Fund is used to account for funds received from state and local (parent fees) sources to operate preschool programs within the District.

**C. Cafeteria Special Revenue Fund - Fund 13**

The Cafeteria Special Revenue Fund shall be used only for income received and expenditures made to operate the Food and Nutrition Program of the Poway Unified School District. The income is derived from:

1. National School Lunch Program
2. California Child Nutrition Act of 1974
3. Sale of food
4. Interest earned on deposits

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Objects of expenditures shall be those that are necessary to record the expenditures for the operation of the Food Services program.

**D. Deferred Maintenance Fund – Fund 14**

The Deferred Maintenance Fund was created to maintain separate records as required by the state matching funds program. Revenue comes from District transfers, interest income. Expenditures shall be in conjunction with state-approved maintenance projects on the District's five-year plan.

**E. Special Reserve Fund for Other Than Capital Outlay Projects - Fund 17**

This fund is used to hold funds transferred from the General Fund in reserve for Board approved purposes. All funds must be transferred back to the General Fund for actual expenditure. No expenditures are allowed in this fund.

**F. Building Fund – Fund 21**

Proceeds from the sale of voter-approved bonds are deposited into this fund. Expenditures for new construction and modernization of schools and office buildings (as approved by the voters) are charged to this fund.

**G. Capital Facilities Fund – Fund 25**

The Capital Facilities Fund was created to maintain separate records regarding the collection and expenditure of developer fees.

**H. County School Facilities Fund – Fund 35**

The County School Facilities Fund is established for the deposit and expenditure of funds apportioned by the State for site purchase and facility construction purposes. Expenditure classifications authorized in this fund are the same as for the Building Fund (Fund 21). Expenditures are controlled by guidelines maintained in the County School Facilities Fund application manual.

**I. Special Reserve Fund for Capital Outlay Projects – Fund 40**

Fund 40 is used for capital outlay purposes. Income is generated from Board-approved transfers from the General Fund, interest income, and sale of property. Fund 40 is also used for general operating expenses specifically set aside from the General Fund. Income consists of Board-approved interfund transfers and interest income.

**J. Capital Projects Fund for Blended Component Units – Fund 49**

Separate funds are maintained to operate the Community Facilities District Building Program.

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1. Community Facilities District Funds - These funds are used to receive income from the sale of Mello Roos bonds and pay for site purchase, facility construction expenses, and associated expenses.
2. The Mello Roos mitigation agreements between the District and the landowners shall be used in the determination of appropriate expenditures of these funds.

**K. Other Enterprise Fund – Fund 63**

The Other Enterprise Fund is used to account for income and expenses generated from the operation of the Extended Student Services (ESS) and Preschool programs. Income is primarily derived from fees charged per month to parents.

**L. Self Insurance Funds – Fund 67**

The Self Insurance Fund is used to account for workers' compensation and dental, vision care, and pharmacy employee benefits relating to expenses. The monthly allocations are transferred to this fund from the various funds in which salary and benefits are charged. Expenditures are made from these funds upon receipt of invoices.

Also, the Self Insurance Fund is maintained to accrue settlement costs of insurance claims against the District. Claims within the \$10,000 deductible are expended here. Budgeted funds to cover expenses are transferred from the General Fund to the Insurance Deductible Fund during the fiscal year.