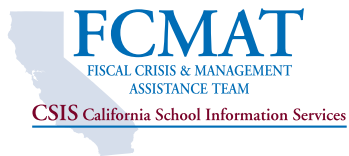


Fiscal Procedural Manual

FOR BUSINESS OFFICIALS IN CALIFORNIA COUNTY OFFICES OF EDUCATION



In Partnership with

CCSESA

California County
Superintendents Educational
Services Association

BASC

Business and Administration
Steering Committee

ESSCO

External Services
Subcommittee

Fiscal Procedural Manual

*For Business Officials in
California County Offices of Education*

Presented by

The Fiscal Crisis and Management Assistance Team

1300 17th Street – CITY CENTRE

Bakersfield, CA 93301

661-636-4611 • www.fcmat.org

Acknowledgments

On behalf of the Kern County Superintendent of Schools and the Fiscal Crisis and Management Assistance Team (FCMAT) Board of Directors, and in conjunction with the California County Superintendents Educational Services Association (CCSESA) subcommittee, Business and Administration Steering Committee (BASC), and External Services Subcommittee (ESSCO), I wish to thank the many people who assisted in the development and revision of the *Fiscal Procedural Manual for Business Officials in California County Offices of Education*.

Thank you to the FCMAT Board of Directors for their support and vision in recognizing the need for consistent procedures and standards for COE business officials to use in reviewing fiscal operations of school districts throughout California. This manual will help all school business officials working in county offices maintain legal and ethical standards of operation.

The steering committee for the development of this manual consisted of leading COE business officials throughout the state. They provided valuable work and expertise in the manual's development. The original lead committee member responsible for the primary development was Sandra Peck, Assistant Superintendent for Business Services, Marin COE. Other steering committee members who played vital roles were the following:

Lou Highlander, Alameda COE	Jessica Schackne, San Mateo COE
Alice Kattner, Marin COE	Deborah L. Simons, LACOE
Lynette Kerr, Humboldt COE	K.T. Yorba, San Joaquin COE
Mike Lenahan, Alameda COE	

The CCSESA subcommittee, BASC and ESSCO are recognized in the review and finalization of the COE Fiscal Procedural Manual. Special thanks to the following ESSCO members, who updated this year's selected procedures:

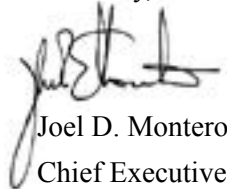
Diane Lacombe, El Dorado COE	Deborah Messervey, Nevada COE
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Estelle Hawley, Humboldt COE	Sherry Beatty, Solano COE
Priscilla Quinn, Kern COE	Diana Lopez, Solano COE
Vicki Lueck, Kern COE	Christina Crawford, Solano COE
Kate Lane, Marin COE	Tammie Knott, Solano COE
Ann Peters, Merced COE	Jennifer Stahlheber, Sutter COE
Sarah Blackstone, Napa COE	Paula Driscoll, Ventura COE

A special thank you also to the following BASC members, who met with and assisted FCMAT in the final review of the updated procedures:

Tommy Welch, Solano COE	Wendy Benkert, Orange COE
Mary Jarvis, San Luis Obispo COE	John Von Flue, Kern COE
Denise Porterfield, San Mateo COE	Josh Schultz, Napa COE
Terena Mares, Marin COE	Janet Riley, Merced COE

Thanks also to FCMAT Chief Management Analyst Michelle Plumbtree for coordinating the update and ensuring that it was completed on time and accurately, and to FCMAT Technical Writer John Lotze for final editing and design of this document.

Sincerely,



Joel D. Montero
Chief Executive Officer, FCMAT

Introduction

February 2015

To: Business Officials in California County Offices of Education

Re: Updates to the *Fiscal Procedural Manual for Business Officials in California County Offices of Education*.

The Fiscal Crisis and Management Assistance Team (FCMAT), in conjunction with the CCSESA, BASC and ESSCO, is pleased to present the 2015 updates and additions to the County Office of Education Fiscal Procedural Manual. We hope that COE business officials will continue to find the manual useful and beneficial when performing their required duties related to evaluating the operation of school district finances.

Originally published in January 2005, and updated annually so that it remains current and applicable for business officials in California county offices of education, the *Fiscal Procedural Manual* is designed to be user-friendly as it outlines 29 procedures and adopted standards required by California education and government codes. As requested by the FCMAT Board of Directors, the manual can assist COEs in developing consistency and common practices when reviewing and responding to school district and charter school fiscal requirements.

This manual is a guide, not a mandate, and is intended to be an external document for all California county offices of education as they perform their mandated fiscal responsibilities.

The COE Fiscal Procedural Manual continues to be produced by FCMAT and its administrative agent, the Kern County Superintendent of Schools. As indicated on the acknowledgements page, many people assisted in the creation and continued updating of this manual. Detailed and highly professional updates are initiated and provided by ESSCO, while BASC performs the review and final approval of the manual and all annual updates.

Updated items for 2015 include the following:

- 1 Updated title page
- 2 Updated acknowledgements, introduction, timeline and user response form pages
- 3 Updated Timeline for Updates
- 4 Updated User Response Form
- 3 Updated Procedure 000 (P-000), *Index*
- 4 Updated Procedure 001 (P-001), *Calendar*
- 5 Updated Procedure 003 (P-003), *Facility Maintenance Accounts*
- 6 Updated Procedure 004 (P-004), *AB1200 Overview*
- 7 Updated Procedure 018 (P-018), *PERS/STRS Reporting*
- 8 Updated Procedure 020 (P-020), *Local Control Funding Formula*

In addition, in several other procedures minor changes have been made to references to revenue limit funding, updating them to reflect the Local Control Funding Formula model and language. Because no other changes were made, other aspects of these procedures may still need to be updated. These procedures are as follows:

1. P-005, *Budget Review* (changes in checklists and supplemental documents)
2. P-006, *The Unaudited Actuals* (change in checklist)

3. P-007, *Interim Report Review* (changes in samples)
4. P-014, *Bargaining Agreement Disclosure*
5. P-015, *Apportionment Posting*
6. P-016, *Education Revenue Augmentation Fund*
7. P-017, *Property Taxes*
8. P-021, *Special Education*

These sections have an asterisk next to the date on the first page of the section and a corresponding note at the bottom of the page indicating that these minor changes have been made.

Several procedures were not updated in any way because the transition to the Local Control Funding Formula requires major changes in these procedures, which will be addressed as part of next year's update. These procedures include the following:

1. P-009, *Charter Schools*
2. P-022, *Direct Service Districts*
3. P-027, *Cash Flow Procedures*

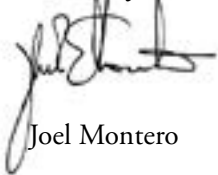
Updated procedures are meant to replace existing sections or pages in the manual. These updates, as well as sample documents and forms for each section, are available for download free of charge from the FCMAT website at www.fcmat.org, as part of the complete downloadable manual.

The index in the electronic version of the manual consists of clickable links that take users directly to that section, and the first page of each section contains a clickable link to return to the index. You will also find numerous forms, letters and spreadsheets that are presented in the manual that you can use in your own county office. Some of these can also be accessed directly from within the document via links.

This manual is a living document, with new procedures developed and updated annually as laws change and best practices are refined. FCMAT is committed to ensure that all updated materials are available on our website.

If you have any questions or would like more information, please contact the FCMAT office at 661-636-4611.

Sincerely,



Joel Montero

Chief Executive Officer, FCMAT

Timeline for Updating the COE Fiscal Procedural Manual

FCMAT, in partnership with CCSESA, BASC and ESSCO, has developed the following timeline and process for annual updates to the COE Fiscal Procedural Manual.

March - October	ESSCO selects which procedures to update or develop, assigns committees to the selected procedures, and the committees work on the selected procedures to ensure they are up to date and relevant.
October	ESSCO submits the selected procedures to FCMAT, which then formats and edits the materials prior to further review.
November	BASC subcommittee meets and reviews the procedures that ESSCO has updated.
December	FCMAT and ESSCO review BASC subcommittee's recommended changes and finalize selected procedures.
January	BASC reviews and approves the updated procedures.
February	FCMAT inputs final edits that resulted from the BASC review and approval, and does final formatting for selected procedures.
February/March	FCMAT posts updated procedures at http://www.fcmat.org during the BASC Annual Conference, at which time the release of the updated procedures is announced.

User Response Form

As part of FCMAT's ongoing efforts to help California's educational agencies improve fiscal accountability, this manual will be updated with new information and added features on a regular basis. To that end, we invite you to give us your input. If there is any way you feel we could improve the *Fiscal Procedural Manual*, please take a moment to complete this form and let us know.

Please provide a description of your requested features or suggested improvements for future revisions.

Please e-mail or fax your response to:

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707-775-2850 • Fax: 661-636-4647

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User Response Form	vii

If you are viewing the complete electronic version, click on any procedure listed below to go to that section.

Procedures

Procedure Number	Procedure Name	Date Adopted or Revised
P-000	Index	2/2015
P-001	Calendar	2/2015
P-002	Which Entities Are Included	2/2011
P-003	Facility Maintenance Accounts	2/2015
P-004	AB 1200 Overview	2/2015
P-005	Budget Review	1/2009
P-006	The Unaudited Actuals	1/2009
P-007	Interim Report Review	1/2009
P-008	Audits	2/2014
P-009	Charter Schools	1/2009
P-010	Cash	2/2012
P-011	Internal Controls for AB 1200	2/2012
P-012	Approving District Orders	2/2013
P-013	Fiscally Independent and Fiscally Accountable Districts	2/2013
P-014	Bargaining Agreement Disclosure	2/2013
P-015	Apportionment Posting	2/2012

Procedures (cont.)

Procedure Number	Procedure Name	Date Adopted or Revised
P-016	Education Revenue Augmentation Fund (ERAF)	1/2008
P-017	Property Taxes	2/2014
P-018	CalPERS and CalSTRS Reporting	2/2015
P-019	Attendance Accounting	1/2005
P-020	Local Control Funding Formula	2/2015
P-021	Special Education	2/2011
P-022	Services to Districts	2/2013
P-023	Debt	2/2010
P-024	AB 1200 Reimbursements	1/2008
P-025	District Reorganization	2/2012
P-026	Working with the County	1/2005
P-027	Cash Flow Procedures	2/2011
P-028	Waiver of State Apportionment Deferrals	2/2012
P-029	Current Expense Formula and Reporting—SACS Form CEA	2/2013

Calendar

Month	Procedure Number	Activity
July	P-003	<i>Facility Maintenance Accounts</i> <ul style="list-style-type: none">Confirm as disclosed in the district budget criteria and standards that adequate contributions have been budgeted for the ongoing and major maintenance account.
	P-005	<i>Budget Review</i> <ul style="list-style-type: none">Districts must file the adopted budget and the approved local control accountability plan (LCAP) with the county superintendent no later than 5 days after the first adoption of the budget or July 1, whichever comes first.
	P-009	<i>Charter Schools</i> <ul style="list-style-type: none">On or before July 1, the charter school must submit a preliminary budget and the approved local control accountability plan (LCAP) to its chartering authority and the county superintendent of schools, or only the county superintendent of schools if the county board of education is the chartering authority.
	P-019	<i>Attendance Accounting, Local Control Funding Formula</i> <ul style="list-style-type: none">On or before July 15, county office of education exports annual attendance, necessary small school certifications, and other LCFF-related data to the California Department of Education (CDE) using the CDE's Principal Apportionment Data Collection software.

August

Month	Procedure Number	Activity
	P-005	<i>Budget Review</i> <ul style="list-style-type: none"> The county superintendent must examine the budget and determine whether it complies with the standards and criteria adopted by the State Board of Education. The county superintendent must determine whether the budget allows the district to meet its financial obligations (budget and multiyear). On or before August 15, the county superintendent must approve, conditionally approve, or disapprove the budget. In order to approve a district's budget, the county office must ensure compliance with the three criteria for LCAP approval, which are listed in Education Code section 52070(d). The superintendent must provide the conditional approval or the disapproval in writing. For districts with a conditionally approved budget or a disapproved budget, the county superintendent may appoint a committee to examine and comment on the superintendent's review and recommendations. The committee must report its findings to the superintendent no later than August 20.
	P-009	<i>Charter Schools</i> <ul style="list-style-type: none"> PENSEC forms due for charter schools that are new or significantly expanding (adding a grade level or some other qualifying event) no later than August 15.
	P-017	<i>Property Taxes</i> <ul style="list-style-type: none"> County office submits tax information and prior year annual miscellaneous funds data no later than August 15 using the CDE's Principal Apportionment Data Collection software.
	P-021	<i>Special Education</i> <ul style="list-style-type: none"> By August 15, applicable counties submit prior year annual special education tax allocation data using the CDE's Principal Apportionment Data Collection software.

Calendar

September

Month	Procedure Number	Activity
	P-005	<p><i>Budget Review</i></p> <ul style="list-style-type: none"> • If a school district does not submit a budget, the county superintendent will, at district expense, develop a budget for that district by September 15 and transmit the budget to the governing board of the school district. • On or before September 22, the county superintendent must provide a list to the State Superintendent of Public Instruction (SPI) of the districts for which they may disapprove budgets. • For districts with a conditionally approved or disapproved budget, the county superintendent must review the revised budget to determine that it: 1) complies with the standards and criteria adopted by the State Board of Education pursuant to Education Code Section 33127; 2) allows the district to meet its financial obligations during the fiscal year; 3) satisfies all conditions established by the county superintendent of schools in the case of a conditionally approved budget; and 4) is consistent with a plan that will enable the district to satisfy its multiyear commitments.
	P-009	<p><i>Charter Schools</i></p> <ul style="list-style-type: none"> • On or before September 15, the charter school must submit a final unaudited report for the full prior year to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority. • On or before September 15, the charter school must approve, in a format prescribed by the SPI, an annual statement of all receipts and expenditures of the charter school for the preceding fiscal year. The charter school must file the statement with the entity that approved the charter. • Certification of the Special Advance Apportionment based on PENSEC data for newly operational charter schools and continuing charter schools adding one or more grade levels.

Calendar

October

Month	Procedure Number	Activity
	P-005	<i>Budget Review</i> <ul style="list-style-type: none"> No later than October 8, the county superintendent must: <ul style="list-style-type: none"> Approve or disapprove the budget for districts whose budgets were conditionally approved or disapproved as of August 15. Approve or disapprove the LCAP of districts whose LCAPs were not approved as of August 15. If the county superintendent disapproves the revised budget, they will call for a budget review committee under Section 42127.1 unless the governing board of the district and the county superintendent agree to waive the requirement for a committee and the California Department of Education (CDE) approves the waiver. Based on the waiver, the county superintendent immediately has the authority and responsibility provided by Education Code Section 42127.3. Submit a report to the SPI identifying all districts with disapproved budgets including a copy of the written response to each district.
	P-006	<i>Unaudited Actuals</i> <ul style="list-style-type: none"> On or before October 15, the county superintendent must verify the mathematical accuracy of the "Unaudited Actuals" and transmit a copy of the reports to the SPI.
	P-017 P-019 P-020	<i>Property Taxes, Attendance Accounting, Local Control Funding Formula</i> <ul style="list-style-type: none"> By October 1, submit LEA corrections for prior fiscal years using the CDE's Principal Apportionment Data Collection software.
	P-009	<i>Charter Schools</i> <ul style="list-style-type: none"> Twenty-day forms due by October 31 for newly operational charter schools and continuing charter schools adding one or more grade levels.
	P-021	<i>Special Education</i> <ul style="list-style-type: none"> By October 31, submit prior year annual LEA Infant data using the CDE's Principal Apportionment Data Collection software.

Calendar

November

Month	Procedure Number	Activity
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P-005

Budget Review

- No later than November 30, the county superintendent, in consultation with the SPI and the governing board of the district, must develop and adopt a fiscal plan and budget for districts with disapproved budgets.

P-017

Property Taxes

- County office submits tax information no later than November 15 using the CDE's Principal Apportionment Data Collection software.

P-021

Special Education

- By November 15, applicable counties submit prior year annual SELPA ADA allocation data using the CDE's Principal Apportionment Data Collection software.
- By November 30, submit prior year annual NPS Extraordinary Cost Pool and Necessary Small SELPA ECP for Mental Health claim data using the CDE's Principal Apportionment Data Collection software. Hard copies of supporting documentation (copies of paid invoices) must also be postmarked by this date.

December

Month	Procedure Number	Activity
	P-007	<i>Interim Report Review (first interim report)</i> <ul style="list-style-type: none"> School districts provide first interim reports to the county superintendent after they are approved by the governing board (45 days after the close of the period being reported, October 31).
	P-008	<i>Audits</i> <ul style="list-style-type: none"> If the county superintendent does not receive the annual audit report by December 15, the superintendent may investigate the cause of the delay and initiate action to obtain the audit in the most effective manner. County superintendent must file requests for extensions for filing the annual audit report with the California State Controller's Office (SCO) and CDE by December 1. County superintendent is responsible for reviewing the audit exceptions in the report related to: <ul style="list-style-type: none"> Attendance Equipment inventory Internal control Miscellaneous items County superintendent is responsible for determining that the exceptions have been corrected or an acceptable plan of correction has been developed.
	P-009	<i>Charter Schools</i> <ul style="list-style-type: none"> On or before December 15, the charter school must submit an interim financial report to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority. Charter schools must submit a copy of their annual audit report to the chartering entity, the SCO, the county superintendent of schools in which the charter school is sited, and the CDE by December 15 of each year. Certification of the 2014-15 Second Special Advance Apportionment based on 20-day data for newly operational charter schools and continuing charter schools adding one or more grade levels.

Calendar

January

Month	Procedure Number	Activity
	P-007	<i>Interim Report Review (first interim report)</i> <ul style="list-style-type: none"> No later than 75 days after October 31, the county office will provide notice of any change in the certification to the district governing board and the SPI. No later than 75 days after October 31, the county superintendent of schools must report to the SCO and the SPI whether each district under their jurisdiction provided the required certification and the type of certification for each district.
	P-008	<i>Audits</i> <ul style="list-style-type: none"> Update the auditor selection letter. Send letter to LEAs requesting information on the selection of their auditors. Review all audit exceptions related to: <ul style="list-style-type: none"> Attendance Inventory of equipment Internal control Miscellaneous Send letter to LEAs with deficiencies in the plan of correction for audit exceptions.
	P-019	<i>Attendance Accounting, Local Control Funding Formula</i> <ul style="list-style-type: none"> County office of education exports P-1 attendance data, necessary small school certifications, and other LCFF-related data to the CDE no later than mid-January using the CDE's Principal Apportionment Data Collection software.
	P-021	<i>Special Education</i> <ul style="list-style-type: none"> By January 15, submit P-1 LEA infant data using the CDE's Principal Apportionment Data Collection software. By January 15, applicable counties submit P-1 SELPA ADA allocation and special education tax allocation data using the CDE's Principal Apportionment Data Collection software.

Calendar

March

Month	Procedure Number	Activity
	P-007	<i>Interim Report Review (second interim report)</i> <ul style="list-style-type: none"> School districts provide second interim reports to the county superintendent after they are approved by the governing board (45 days after the close of the period being reported, January 31).
	P-008	<i>Audits</i> <ul style="list-style-type: none"> If the description of the correction or the plan of correction for audit exceptions are not in the audit report, the county superintendent will notify the school district and request the governing board to provide this information by March 15.
	P-009	<i>Charter Schools</i> <ul style="list-style-type: none"> On or before March 15, the charter school must submit a second interim financial report to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority.
	P-017 P-019 P-020	<i>Property Taxes, Attendance Accounting, Local Control Funding Formula</i> <ul style="list-style-type: none"> By March 1, submit LEA corrections for prior fiscal years using the CDE's Principal Apportionment Data Collection software.

Calendar

April

Month	Procedure Number	Activity
	P-007	<i>Interim Report Review (second interim report)</i> <ul style="list-style-type: none"> No later than 75 days after January 31, the county office will provide notice of any change in the certification to the district governing board and the SPI. No later than 75 days after January 31, the county superintendent of schools must report to the SCO and the SPI whether each district under their jurisdiction has provided the required certification and the type of certification for each district.
	P-008	<i>Audits</i> <ul style="list-style-type: none"> If the district hasn't made arrangements for the annual audit for the next fiscal year by April 1, the county superintendent must make arrangements for the audit. Direct the LEAs to submit revised reports for those audit exceptions related to attendance that have a fiscal impact.
	P-017	<i>Property Taxes</i> <ul style="list-style-type: none"> County office submits tax information no later than April 15 using the CDE's Principal Apportionment Data Collection software.
	P-020	<i>Local Control Funding Formula</i> <ul style="list-style-type: none"> By April 15, county office submits P-2 certification selection for necessary small schools and COE LCFF adjustments using the CDE's Principal Apportionment Data Collection software.

Calendar

May

Month	Procedure Number	Activity
	P-008	<i>Audits</i> <ul style="list-style-type: none"> By May 1, the county office of education must make arrangements for the audit of any LEAs that have not made their own arrangements by April 1. County superintendent will notify the SPI and the SCO by May 15 that the county office staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the district has submitted an acceptable correction plan.
	P-019 P-020	<i>Attendance Accounting, Local Control Funding Formula</i> <ul style="list-style-type: none"> County office of education exports P-2 attendance and other LCFF-related data to the CDE no later than May 1 using the CDE's Principal Apportionment Data Collection software.
	P-021	<i>Special Education</i> <ul style="list-style-type: none"> By May 1, submit P-2 LEA infant data using the CDE's Principal Apportionment Data Collection software. By May 1, applicable counties submit P-2 SELPA ADA allocation and special education tax allocation data using the CDE's Principal Apportionment Data Collection software.

Calendar

Month	Procedure Number	Activity
June	P-007	<i>Interim Report Review (third interim report)</i> <ul style="list-style-type: none">No later than June 1, each school district with a qualified or negative certification for the second interim report must provide financial statement projections of the district's fund and cash balances through June 30 for the period ending April 30 to the county superintendent, the SCO, and the SPI.

Calendar

Month	Procedure Number	Activity
Annually (No Dates Specified, or As Needed)	P-007	<i>Interim Report Review</i> <i>(Districts With Disapproved Budget, Qualified or Negative Interim Certification or Other Fiscal Uncertainty)</i> <ul style="list-style-type: none"> County superintendent must present a report to the school district board and the SPI regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined to be in a position of fiscal uncertainty. For districts with qualified or negative certifications, the county superintendent must also approve the issuance of any non-voter-approved debt. The county superintendent must determine that repayment is probable.

Fiscal calendars, including apportionments, budget, interim and year-end financial reporting calendars, are available online from the CDE at <http://www.cde.ca.gov/re/ca/fc/>.

Which Entities are Included?

Procedure Number	Procedure Name	Entities Included		
		School Districts	Community Colleges (1)	Joint Powers Authorities
P-003	Facility Maintenance Accounts	Yes	No	No
P-004	AB 1200 Overview	Yes	No	Yes (2)
P-005	Budget Review	Yes	No	Yes (2)
P-006	The Unaudited Actuals	Yes	No	Yes (2)
P-007	Interim Report Review	Yes	No	Yes (2)
P-008	Audits	Yes	No	Yes (3)
P-009	Charter Schools	Yes	No	No
P-010	Cash	Yes	No	No
P-011	Internal Controls for AB 1200	Yes	No	Yes
P-012	Approving District Orders	Yes	No	No
P-013	Fiscally Accountable and Fiscally Independent Districts	Yes	No	No
P-014	Disclosures for Negotiations	Yes	No	No
P-015	Apportionment Posting	Yes	No	No
P-016	ERAF	Yes	Yes	No
P-017	Property Taxes	Yes	Yes	No
P-018	PERS and STRS Reporting	Yes	Yes	Yes
P-019	Attendance	Yes	No	No
P-020	Local Control Funding Formula	Yes	No	No
P-021	Special Education	Yes	No	Yes
P-022	Direct Service Districts	Yes	No	No
P-023	Tax Override and Bond Interest and Redemption Funds	Yes	No	No
P-024	AB 1200 Reimbursements	N/A	N/A	N/A
P-025	Territory Transfers	Yes	Yes	No
P-026	Working with the County	Yes	Yes	Yes
P-027	Cash Flow Procedures	Yes	No	No

- (1) Education Code Section 1240 (l)(4) states that the county superintendent of schools is not responsible for the fiscal oversight of community colleges in the county, although the county may perform financial services on behalf of the colleges.
- (2) Education Code Sections 41023 requires JPAs (consisting solely of school districts and county offices of education and excluding health and welfare JPAs) to follow the legal provisions in Education Code Sections 42100, 35010, and 42600.
- (3) Regional occupational centers and programs (ROCP) are also subject to the provisions of Education Code Section 41020.

Facility Maintenance Accounts

I. OVERVIEW

Local educational agencies (LEAs) are required to establish a restricted ongoing and major maintenance account in the general fund if they participate in the state school building programs. The requirements for establishing a restricted maintenance account for facilities are based on an LEA's participation in the old Leroy Greene Lease-Purchase Program or the School Facility Grant Program. County offices are required to verify that restricted amounts have been set aside within the LEA's general fund budget, in either resource 8100 (Leroy Green Lease-Purchase Program) or resource 8150 (School Facility Grant Program).

II. RESTRICTED MAINTENANCE ACCOUNTS

- A. Education Code 17014 (b)(2): LEAs participating in only the Leroy Greene Lease-Purchase Program Law of 1976 are required to establish a restricted (account within the district's general fund for the exclusive purpose of providing moneys for regular maintenance and routine repair of school buildings) routine repair and regular maintenance fund (RRRMF) account (SACS Resource 8100).
 - 1. The LEA must annually deposit a minimum of at least 2% of the LEA's total general fund adopted budget for the term of the lease agreement.
 - a. Under this program, participating school districts entered into a 40-year lease-purchase agreement with the state.
 - 2. A contribution to the RMA may be provided in lieu of meeting the ongoing requirements for the RRRMF, per EC 17070.75(b)(2)(c).
- B. Education Code 17070.75: LEAs in the 1998 School Facility Grant Program (SFP) must annually deposit at least 3% of the LEA's total general fund adopted budget expenditures and other financing uses into an ongoing and major maintenance account called the RMA (SACS Resource 8150).
 - 1. The RMA must be set up for the fiscal budget year following the fiscal year any SFP project(s) receives full grant funding.
 - 2. The district must make the first deposit that fiscal year and make additional deposits each fiscal year for 20 years.
 - 3. County offices are allowed to calculate the 3% based on the total general fund unrestricted expenditures. This exemption does not apply to the Lease-Purchase program.
 - 4. Districts that are the administrative unit for a special education local plan area (SELPA) are allowed to exclude the pass-through funds from the expenditures when making the calculation.

Facility Maintenance Accounts

5. Education Code 17070.766 reduced the required deposit to the routine restricted maintenance account from 3% to 1% for the 2008-09 through 2014-15 fiscal years for most LEAs, and to 0% for LEAs with facilities maintained in good repair pursuant to the Williams settlement and as defined in Education Code section 17002.
6. The state budget software's *criteria and standards* will validate that the minimum required percentage of the LEA's adopted budget has been set aside in the RRMA account.

III. EXCEPTIONS

A. There are exceptions to both of the restricted maintenance programs.

1. Small school districts are exempt from the annual minimum contribution requirement; that is, elementary districts with less than 901 ADA, high school districts with less than 301 ADA, and unified school districts with less than 1,201 ADA (Education Code section 17070.75). These districts still need to establish the fund and certify that they can adequately maintain their facilities, but the dollar amount the district is required to transfer is based on the district's needs rather than the percentage established in the Education Code.
 - a. Every school district, regardless of size, must establish and maintain an RRMA upon receipt of funds from the State Allocation Board.
 - b. However, small exempt school districts can base the amount of the transfer into the account on the district's needs by doing the following annually:
 - Developing a maintenance plan and budget that identifies how the district will meet its facility needs.
 - Designate the amount less than 3% that is to be transferred into the RRMA.
 - Certify in an open board meeting that the amount to be transferred into the RRMA is sufficient to meet the district's facility needs.

IV. ROUTINE MAINTENANCE ACCOUNT EXPENDITURES ACTIVITIES

- A. Funds may be used for maintenance and upkeep of any district facilities; their use is not restricted to facilities constructed or modernized under the State School Building Lease-Purchase Program.
- B. Education Code 17014(c) under the Leroy Green Lease-Purchase programs states:

Facility Maintenance Accounts

For purposes of this subdivision, the term “major maintenance, repair and replacement” means roofing, siding, painting, floor and window coverings, fixtures, cabinets, heating and cooling systems, landscaping, fences, and other items designated by the governing board of the school district.

- C. Education Code 17070.75(b)(1) for the most current School Facility Grant Program states:

[The district shall] establish a restricted account within the General Fund of a school district for the exclusive purpose of providing moneys for ongoing and major maintenance of school buildings . . .

- D. For additional direction in determining appropriate expenditures, LEAs may want to refer to the California School Accounting Manual (CSAM) for the definition of what is considered maintenance.

V. COUNTY OFFICE OF EDUCATION RESPONSIBILITIES

- A. Confirm that, as disclosed in the district’s budget criteria and standards, the annual contribution for facilities maintenance funding is not less than the amount required by Education Code Section 17070.75.

VI. LEGAL CITATIONS

- A. Education Code

- Sections 17002(d)(1) and 17014(1) through 17014(7)(d)
- Sections 17070.75 through 17070.77

I. OVERVIEW

- A. AB 1200 took effect on January 1, 1992. AB 1200 redefined and expanded the county superintendents' financial oversight responsibilities.
- B. In subsequent years, additional laws have amended and expanded the original enacting legislation. The most noteworthy of these are AB 2756, approved June 2004; and the Budget Act of 2014, which implemented the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP).
- C. The term AB 1200 has come to include the review of the school district budgets, the review of the unaudited actual financial statements, the county office's financial oversight at the first and second interim reporting periods, intervention on behalf of financially troubled districts, and responsibility for follow-up on certain audit exceptions.

II. LEGAL REQUIREMENTS

A. The Budget

- 1. Education Code Sections 1240, 42103 and 42122 – 42129 establish the legal standards for the budget.
- 2. The following are the key elements of these code sections:

Education Code Section	Key Elements of the Code Section
1240	<p>Requires the county superintendent to annually present a report to the school district board and the Superintendent of Public Instruction (SPI) regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined to be in a position of fiscal uncertainty.</p> <p><i>Note: This is often referred to as the AB 139 letter.</i></p>
42103	<p>Requires the governing board to hold a public hearing for the budget in a district facility or some other public place. The hearing must be not less than three working days following the availability of the proposed budget for public inspection.</p> <p>Requires that the budget document also show the estimated unaudited actual revenues and expenditures for the year just ending.</p> <p>Requires the county superintendent to publish the notification of the dates and locations at which the proposed budget may be inspected in a newspaper of general circulation at least three days prior to when the budget is ready for inspection, but no earlier than 45 days and no later than 10 days before the public hearing.</p>
42122	<p>Requires the budget to show a complete plan and itemized statement of all estimated revenues and expenditures for the next fiscal year as well as a comparison of revenue and expenditures for the current year.</p>

42123	Requires the budget to be on forms prescribed by the SPI.
42124	Allows the budget to include a general reserve to meet cash requirements.
42125	Allows the budget to include designations of fund balance. The designated funds are available for appropriation by a majority vote of the governing board.
42126	Requires the SPI to prepare the forms used for the budget and the comparison of revenue and expenditures.
42127	<p>Requires the governing board of each district to do the following:</p> <ul style="list-style-type: none"> • By July 1, hold a public hearing on the budget, and post the agenda for the public hearing at least 72 hours in advance. Based on requirements of the Local Control Accountability Plan (LCAP) a hearing on the specific actions and expenditures proposed to be included in the LCAP or annual update to the LCAP shall be held at the same meeting as the budget hearing (Education Code Section 52068). • By July 1, adopt a budget. The budget cannot be adopted before the school district adopts an LCAP or an update to the LCAP. The budget must include expenditures necessary to implement the LCAP. • Beginning with the 2015-16 fiscal year, if ending fund balances exceed the minimum recommended reserve for economic uncertainty, the district must present at the budget adoption public hearing and make available for public viewing a written statement of reasons for the excess reserve. The school district shall provide this information each time it files an adopted or revised budget with the county superintendent of schools. • File the adopted budget with the county superintendent of schools no later than 5 days after the adoption or July 1, whichever comes first. • No later than 45 days after the governor signs the Budget Act, the district must make available to the public any budget revisions made to reflect the funding made available by that Budget Act. <p>Requires the county superintendent to do all of the following:</p> <ul style="list-style-type: none"> • Examine the budget and determine whether it complies with the standards and criteria adopted by the State Board of Education (Education Code Section 33127). • Determine whether the budget allows the district to meet its financial obligations (budget year and multiyear), including the expenditures needed to implement the LCAP. • Determine whether the budget includes ending fund balances that exceed the minimum recommended reserve for economic uncertainties and, if so, verify that the school district complied with the requirements for a public hearing and a statement of reasons the excess reserve is needed.

42127
(continued)

- Review and consider studies, reports, evaluations, or audits that were commissioned by the district, the county superintendent, the SPI, and state control agencies if these documents contain evidence of fiscal distress. Fiscal distress is determined by the standards and criteria adopted in Education Code Section 33127 or findings by an external reviewer that more than 3 of the 15 most common predictors of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team (FCMAT), are present.
- Either conditionally approve or disapprove a budget that does not provide adequate assurance that the district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations or audits.
- Disapprove a budget if the budget does not include the expenditures needed to implement the LCAP.
- On or before August 15, approve, conditionally approve, or disapprove the adopted budget.
 - The county superintendent must provide the conditional approval or disapproval in writing no later than August 15 and provide recommendations for budget revisions and the reasons for those recommendations, including, but not limited to, the amounts of any budget adjustments needed before they can approve the budget.
 - The budget shall not be adopted or approved by the county superintendent before an LCAP or an update to an LCAP is approved.
 - The county superintendent may assign a fiscal advisor to assist the district to develop a budget in compliance with those revisions.
 - In addition, the county superintendent may appoint a committee to examine and comment on the county superintendent's review and recommendations, subject to the requirement that the committee report its findings to the superintendent no later than August 20.
- On or before September 8, the governing board of the school district will: 1) revise the adopted budget to reflect the changes in projected revenue and expenditures subsequent to July 1, and to include any responses to the recommendations of the county superintendent; 2) adopt the budget; and 3) file the revised budget with the county superintendent of schools.
 - Prior to revising the budget, the governing board will hold a public hearing regarding the proposed revisions, to be conducted in accordance with Education Code Section 42103. The board will make the revised budget and supporting data available for public review.
- On or before September 22, provide a list to the SPI of districts for which budgets may be disapproved.
- Review the revised budget to determine that it: 1) complies with the standards and criteria adopted by the State Board of Education pursuant to Education Code Section 33127; 2) allows the district to meet its financial obligations during the fiscal year; 3) satisfies all conditions established by the county superintendent of schools in the case of a conditionally approved budget; and 4) is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments.

42127

(continued)

- No later than October 8, approve or disapprove the revised budget.
- If the county superintendent disapproves the revised budget, they will call for a budget review committee under Section 42127.1 unless the governing board of the district and the county superintendent agree to waive the requirement for a committee and the California Department of Education (CDE) approves the waiver.
- If the county superintendent disapproves the budget solely because the county superintendent has not approved an LCAP, the county superintendent shall not call for the formation of a budget review committee.
- Based on the waiver, the county superintendent immediately has the authority and responsibility provided by Section 42127.3.
- Upon approving the waiver of the budget review committee, the CDE must ensure that a balanced budget is adopted for the school district by November 30.
- If no budget is adopted by November 30, the SPI may adopt a budget for the district.
- The SPI must report to the Legislature and the Director of Finance by December 10 if any district does not have an adopted budget by November 30. The report must include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the SPI has or will exercise their authority to adopt a budget for the district.
- No later than October 8, submit a report to the SPI identifying all districts with disapproved budgets including a copy of the written response to each district.
- If a school district does not submit a budget, the county superintendent will, at district expense, develop a budget for that district by September 15 and transmit that budget to the governing board of the school district.
- The budget prepared by the county superintendent will be deemed adopted, unless the county superintendent approves any modifications made by the governing board of the school district.
- The approved budget will be used as a guide for the district's priorities.
- The SPI will review and certify the budget approved by the county office.

If the county board of education also serves as the governing board of the school district, the district is subject to Education Code Section 1622.

42127.1

Establishes standards for the budget review committee and the waiver process.

42127.2

School district must select budget review committee 5 working days after receipt of candidate list from SPI.

SPI convenes the budget review committee.

The county superintendent may request the Controller's office to conduct an audit or review of the fiscal condition of the school district to assist the budget review committee.

42127.3	<p>Establishes guidelines for the county superintendent of schools and the district based on the work of the budget review committee.</p> <p>If the budget committee disapproves the budget, the SPI may either approve or disapprove the budget. If it is disapproved, no later than November 30, county superintendent must develop and adopt a fiscal plan and budget for the district.</p> <p>Provides authority to county superintendent to implement and monitor the plan and budget.</p>
42127.4	<p>Provides guidelines to school district on which budget to use for operations until its budget is approved.</p>
42127.5	<p>Requires school district to provide statement with the budget, annual audit, and interim certifications on negative unrestricted fund balance or negative cash balance.</p>
42127.6	<p>Requires school districts to provide to the county superintendent copies of studies, reports, evaluations, or audits that were commissioned by the district, the county superintendent, the SPI, and the state control agencies that contain evidence that the school district is showing fiscal distress. Fiscal distress is determined based on the standards and criteria adopted in Education Code section 33127, or a report on the school district by FCMAT or any regional team. Fiscal distress is also determined if any of these reports or studies contain a finding by an external reviewer that more than 3 of the 15 most common predictors of a school district needing intervention (as established by FCMAT) are present.</p> <p>The county superintendent must review and consider these studies. The county superintendent must investigate the financial condition of the school district and determine if the district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or should receive a qualified or negative interim financial certification pursuant to Education Code section 42131.</p> <p>Provides authority to county superintendent if county office determines that the school district may not be able to meet its financial obligations for current or two subsequent fiscal years or if the district has qualified certification (on interim report).</p> <p><i>Note: This section is often referred to as a “going concern”.</i></p> <p>Provides guidelines for an appeal by the school district.</p> <p>An employee who provides information regarding improper governmental activity, as defined in Education Code section 44112, is entitled to the protection provided pursuant to Article 5 (commencing with Section 44110) of Chapter 1 of Part 25.</p>
42127.9	<p>Provides the criteria for an appeal by the school district of a disapproved budget.</p>
42128	<p>If the school district neglects to make a budget or to file interim reports, authorizes the county superintendent of schools to withhold funds to the district and to notify the appropriate county official to refuse to issue warrants of the district.</p>
42129	<p>Authorizes the SPI to direct the county auditor to withhold payment to district superintendents, county superintendents, and governing board members for failure to file reports on time (14 days after the submission date in the statute).</p>

B. Unaudited Actual Financial Reports

1. Education Code Section 42100 establishes legal standards for the unaudited actual financial reports.
2. The following are the key elements of this code section:

Education Code Section	Key Elements of the Code Section
42100	<p>On or before September 15, the governing board of each district must approve, on a form prescribed by the SPI, a statement of all receipts and expenditures of the district for the preceding fiscal year.</p> <p>On or before October 15, the county superintendent must verify the mathematical accuracy of the statement and transmit a copy to the SPI.</p>

C. Interim Reports

1. Education Code Sections 1240 and 42127.6 – 42133.5 establish legal standards for interim reports.
2. The following are the key elements of these code sections:

Education Code Section	Key Elements of the Code Section
1240	<p>Requires the county superintendent to annually present a report to the school district board and the SPI regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined to be in a position of fiscal uncertainty.</p> <p><i>Note: This is often referred to as the AB 139 letter.</i></p>
42127.6	<p>If at any time during the fiscal year the county superintendent of schools determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification pursuant to Section 42131, they will notify the governing board of the school district and the SPI in writing of that determination and the basis for the determination. The notification will include the assumptions used in making the determination and will be available to the public.</p> <p>The county superintendent will report to the SPI on the financial condition of the school district and their proposed remedial actions. The county superintendent will do at least one of the following and all actions that are necessary, to ensure that the district meets its financial obligations:</p> <ul style="list-style-type: none"> • Assign a fiscal expert, paid for by the county superintendent. • Conduct a study of the financial and budgetary conditions of the district that includes, but is not limited to, a review of internal controls.

42127.6
(continued)

- Require the district to encumber all contracts and other obligations, to prepare appropriate cash flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.
- Direct the district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the district may not be able to meet its financial obligations.
- Withhold compensation of the members of the governing board and the district superintendent for failure to provide requested financial information. This action may be appealed to the SPI.

If after taking the actions identified above, the county superintendent determines that a district will be unable to meet its financial obligations for the current or subsequent fiscal year, they will notify the school district governing board and the SPI in writing of that determination and the basis for that determination. The notification will include the assumptions used in making the determination and will be provided to the superintendent of the school district and parent and teacher organizations of the district.

- Within 5 days of the county superintendent making this determination, a school district may appeal the determination to the SPI. The SPI will sustain or deny the appeal within 10 days.
- If the appeal is denied or not filed, or if the district has a negative certification, the county superintendent, in consultation with the SPI, will take at least one of the following actions:
 - Develop and impose, in consultation with the SPI and the school district governing board, a budget revision that will enable the district to meet its financial obligations in the current fiscal year.
 - Stay or rescind any action that is determined to be inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal years.
 - Assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year.
 - Appoint a fiscal advisor.
 - The school district is required to pay 75% and the county office of education 25% of the expenses incurred in improving the district's financial management.

42130

Requires school districts to submit two interim reports to the governing board:

First Interim - For the period ending October 31

Second Interim – For the period ending January 31

The governing board must approve the reports no later than 45 days after the close of the period being reported.

The district must prepare the reports in a format or on forms prescribed by the SPI and ensure that they are based on standards and criteria for fiscal stability adopted by the State Board of Education pursuant to Section 33127.

42131

Requires the governing board of each school district to certify, in writing, within 45 days after the close of the period being reported, whether or not the district is able to meet its financial obligations for the remainder of the fiscal year and, for the subsequent fiscal year. The certifications are classified as:

Positive	The district will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
Qualified	The district may not be able to meet its financial obligations for the current fiscal year or subsequent two fiscal years.
Negative	The district will be unable to meet its financial obligations for the remainder of the year and the subsequent fiscal year.

Requires the governing board to file a copy of each certification and a copy of the report with the county superintendent of schools.

If the county office of education receives a positive certification when it determines that a qualified or negative should have been issued, the county office is authorized to change the certification to qualified or negative as appropriate.

No later than 75 days after the close of the reporting period, the county office will provide notice of the change in the certification to the district governing board and the SPI.

Provides guidance for an appeal process.

For districts with a qualified or negative certification, the county superintendent has authority under Education Code Section 42127.6.

Within 75 days of the close of each reporting period, the county superintendent of schools must report to the Controller and the SPI whether each district under their jurisdiction has provided the required certification and the type of certification for each district.

Requires each school district filing a qualified or negative certification for the second interim report to provide financial statement projections of the district's fund and cash balances through June 30. This report is for the period ending April 30 and is due to the county superintendent, the SPI and the Office of the State Controller by June 1.

The Controller's office may conduct an audit or review of the fiscal condition of any district having a negative or qualified certification.

42133

A school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year, or the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require voter approval unless the county superintendent determines that the repayment on the debt is probable.

No later than March 31, 1992, the Superintendent of Public Instruction shall develop and adopt criteria and standards to govern the determination to be made under subdivisions (a) and (b). Note: The SPI issued Management Advisory 92-04 on June 17, 1992 to address this requirement.

42133.5

Regardless of the certification of the budgetary status of the district, no proceeds obtained by a school district from the sale of a saleback or leaseback agreement, or interests therein, or certificates of participation, or debt instruments that are secured by real property and do not require the approval of the voters of the school district, shall be used for general operating purposes of the school district.

D. Audit Reports

1. Education Code Section 41020 – 41020.8 establishes the legal requirements for the annual audit.
2. Education Code Section 14504 authorizes the county superintendent to report auditors to the California Board of Accountancy.
3. The following are the key elements of these code sections:

Education Code Section	Key Elements of the Code Section
14504	<p>Authorizes the county superintendent or the county board of education to refer an independent auditor of a local educational agency to the California Board of Accountancy for action if an audit of a local education agency was conducted in a manner that may constitute unprofessional conduct as defined by Section 5100 of the Business and Professions Code, including, but not limited to gross negligence resulting in a material misstatement in the audit.</p>
41020	<p>A contract to perform the audit of a local educational agency that has a disapproved budget or has received a negative certification on any budget or interim report during the current fiscal year or either of the two preceding fiscal years, or for which the county superintendent has otherwise determined that a lack of going concern exists, is not valid unless approved by the county superintendent of schools and the governing board.</p> <p>If a district has not made arrangements for an audit by April 1, the county superintendent will make arrangements for the school district audit.</p> <p>The auditors are required to file a copy of the audit report with the county superintendent, the California Department of Education, and the Office of the State Controller no later than December 15.</p> <p>The county superintendent is responsible for reviewing the audit exceptions in the annual audit reports related to:</p> <ul style="list-style-type: none"> • Attendance (e.g., Local Control Funding Formula pursuant to Education Code section 42238.02; independent study) • Equipment inventory • Internal control <ul style="list-style-type: none"> • Miscellaneous items • Instructional material program funds • Teacher misassignments pursuant to Education Code Section 44258.9 • Information reported on the school accountability report card (SARC) pursuant to Education Code Section 33126 <p>The county superintendent is responsible for determining that the exceptions have either been corrected or an acceptable plan of correction has been developed.</p>

41020 (continued)	<p>If the description of the correction or the plan of correction are not included in the audit report, the county superintendent will notify the school district and request the governing board to provide this information by March 15.</p> <p>Each county superintendent of schools will certify to the SPI and the Controller by May 15 that the county office staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions that the county superintendent was required to review were reviewed, and that all of those exceptions, except as noted in the certification, have been corrected or the district has submitted an acceptable correction plan.</p> <p>The county superintendent will adjust the future local property tax requirements to correct audit exceptions relating to school district tax rates and tax revenues.</p> <p>Audits of regional occupational centers and programs are also subject to the provisions of this section.</p> <p>In the audit of the local educational agencies in the subsequent year, the auditors must review the correction or plan of corrections to determine if the audit exceptions have been resolved. If not, the auditor will notify the county office of education and the California Department of Education.</p>
41020.2	<p>If the annual audit report is not filed with the county superintendent on or before December 15, the county superintendent may investigate the causes of the delay and initiate action to obtain the annual audit report in the most effective manner. These actions include:</p> <ul style="list-style-type: none">• Granting an extension.• Contracting with another audit firm to complete the work.• Requesting the Controller's office to investigate and initiate action.
41020.5	<p>County superintendent is required to notify in writing the certified public accountant or public accountant and the California Board of Accountancy if the audits conducted of school districts in the county were not performed in substantial conformity with the audit guide.</p> <p>Provides guidelines for an appeal by the accountant.</p> <p>If the determination by the county superintendent becomes final, the certified public accountant or the public accountant will be ineligible to perform school district audits for a period of 3 years.</p>
41020.8	<p>Provides authority to the county superintendent to request information from the district's auditors if the county superintendent has determined that the district may not be able to meet its obligations for the current or subsequent fiscal year.</p>

III. IMPLEMENTING THE LEGAL REQUIREMENTS

- A. The county office of education is required by law to review and examine the budget and interim reports prepared by the district in order to determine the financial solvency of the district.
- B. The law doesn't provide guidance on the procedures to use in making a determination of the solvency of the district.
- C. This manual provide samples of procedures used in other counties for reviewing a district's key financial documents and determining the district's solvency.
- D. These additional procedures are:
 - 1. P-005 – Budget Review
 - 2. P-006 – The Unaudited Actuals
 - 3. P-007 – Interim Report Review
 - 4. P-008 – Audits

I. OVERVIEW

- A. Procedure P-004 – AB 1200 Overview provides the legal requirements for the review of the budgets by county offices of education.
- B. This procedure provides guidance and sample documents for county offices to use in meeting the legal requirements.

II. CALENDAR

<i>Month</i>	<i>Activity</i>
July	<ul style="list-style-type: none"> Districts must file the adopted budget with the county superintendent of schools no later than 5 days after the adoption of the budget or July 1, whichever comes first. E.C. 42127 Note: The county superintendent shall withhold apportionments of state or county money for any school district that neglects or refuses to make a school district budget, or neglects to file interim reports. The county superintendent is also authorized not to approve warrants for these districts. E.C. 42128 Note: The State Superintendent of Public Instruction (SPI) shall direct the county auditor to withhold payment of stipends, expenses, or salaries to district superintendents, county superintendents, and governing board members for failure to file financial reports on time (14 days after the submission date in the statute). E.C. 42129
August	<ul style="list-style-type: none"> On or before August 15, the county superintendent of schools must approve, conditionally approve, or disapprove the budget. The superintendent must provide the conditional approval or the disapproval in writing. E.C. 42127 For districts with a conditionally approved budget or a disapproved budget, the county superintendent may appoint a committee to examine and comment on the superintendent's review and recommendations. The committee must report its findings to the superintendent no later than August 20. E.C. 42127 The county superintendent must annually present a report, on or before August 15, to the school district board and the SPI regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined to be in a position of fiscal uncertainty. E.C. 1240

Budget Review

September	<ul style="list-style-type: none"> • If a school district does not submit a budget, the county superintendent will, at district expense, develop a budget for that district by September 15 and transmit the budget to the governing board of the school district. E.C. 42127 • On or before September 22, the county superintendent must provide a list to the SPI of the districts for which they may disapprove budgets. E.C. 42127 • For districts with a conditionally approved or disapproved budget, the county superintendent must review the revised budget to determine that it: 1) complies with the standards and criteria adopted by the State Board of Education pursuant to Education Code Section 33127; 2) allows the district to meet its financial obligations during the fiscal year; 3) satisfies all conditions established by the county superintendent of schools in the case of a conditionally approved budget; and 4) is consistent with a financial plan that will enable the district to satisfy its multiyear commitments. E.C. 42127
October	<ul style="list-style-type: none"> • No later than October 8, the county superintendent must: <ul style="list-style-type: none"> • Approve or disapprove the revised budget for districts whose budgets were conditionally approved or disapproved as of August 15. E.C. 42127 • If the county superintendent disapproves the revised budget, they will call for a budget review committee under Section 42127.1 unless the governing board of the district and the county superintendent agree to waive the requirement for a committee and the California Department of Education approves the waiver. • Based on the waiver, the county superintendent immediately has the authority and responsibility provided by Section 42127.3. • Submit a report to the SPI identifying all districts with disapproved budgets including a copy of the written response to each district. E.C. 42127
November	<ul style="list-style-type: none"> • No later than November 30, the county superintendent, in consultation with the SPI and the governing board of the district, must develop and adopt a fiscal plan and budget for districts with disapproved budgets. E.C. 42127.3

III. DETAILED PROCEDURES

A. The following are some recommended procedures for the budget review and documentation:

1. Establish a permanent file.
2. Document the statewide budget assumptions.
3. Obtain the district's budget assumptions.

4. Prepare the budget review checklist.
5. Perform additional financial analysis.
6. Provide a technical correction letter to each district or meet with the district financial officer to discuss the budget review.
7. Provide a budget review letter to each district documenting the approval or disapproval of the budget.

B. The Permanent File

1. The determination of the district's solvency is in some measure based on the county staff's knowledge of the history of the district. For example:
 - a. Does the district have a history of submitting a balanced budget that was later determined to have deficiencies?
 - b. Has the district been able to adequately project average daily attendance (ADA) in recent years?
 - c. Does the district have a history of underestimating certain categories of expenditures?
 - d. Does the district usually make a significant number of errors in preparing the budget?
 - e. Does the district have an adequate position control system?
 - f. Do the district staff have an understanding of the internal controls that affect the budget development for the district?
2. To allow the county staff reviewing the budgets to easily review the historical information and other pertinent information, it is a good idea to set up a permanent file for each district.
3. The permanent file contains an ongoing financial history of the district.
4. The permanent file should include the following types of information:
 - a. Information on the number and type of charter schools that the district has sponsored.
 - i. The list should include the name of each charter school.
 - ii. Whether the charter school is legally a part of the district or has established separate legal status as a non-profit public benefit corporation.

Budget Review

- iii. If the charter school is a non-profit public benefit corporation, include documentation of the legal status of the school. This is important because the district will not include the financial data for these charter schools in its budget, year-end statements, or interim reports.
- iv. A copy of the memorandum of understanding between the charter school and the sponsoring district.
- b. Newspaper articles that provide information relevant to the district's financial situation.

For example: articles on the closure of a school, the opening of a closed school, or the purchase of land.
- c. Documentation of significant phone calls

For example: phone calls regarding significant accounting problems or software problems.
- d. Information on audits performed by outside agencies
 - i. For example: an audit performed by the Office of the State Controller on the building funds.
 - ii. If any audits resulted in an audit disallowance, obtain a copy of the repayment schedule for the debt.
- e. Information on debt issued by the district.

It may also be useful to obtain copies of the amortization schedules.
- f. Copies of relevant correspondence between the district and the county related to financial issues.
- g. Information on whether the district has capped its health benefits to employees and retirees.
- h. Information on any outside groups that provide significant benefit to the district (e.g., an education foundation).
- i. Information on the district's internal controls that impact the budget development and financial reporting.

C. Statewide Assumptions

1. Beginning in January, the legislature begins work on the budget for the next fiscal year.
2. As work on the budget progresses, school districts will have preliminary information on what may be included in the budget for the next fiscal year.
3. Many of the assumptions that school district staff make in preparing their budget are based on assumptions about what the state will include in the budget.
4. School districts will use information from the Governor's May Budget Review to develop their budgets. If the budget is passed before June 30, they may also have time to incorporate information from the state's adopted budget into their own budget.
5. When county office staff review the budgets of the school districts, it is important to ensure that all staff are using the same assumptions about the most recent information in the state budget.
6. To ensure that there is no misunderstanding about the state budget assumptions, it is helpful to document the information in a statewide assumptions document that all county staff refer to when reviewing the budget.
7. This document is also a useful historical reference.

D. District Budget Assumptions

1. The governing board of each school district is required to present the adopted budget on the state's SACS forms.
2. Many districts provide additional information (in addition to the SACS forms) that is designed for the board and public and is easier for non-financial people to understand.
3. This additional information may be very comprehensive and include information presented in ways that are not possible on the SACS forms. For example: detailed information on the district's programs, detailed information on full-time equivalents, etc.
4. Many districts include detailed information about the assumptions that were used in developing the district's budget.
5. The information about the budget assumptions is critical to a complete understanding of the budget and for a comprehensive review by county office of education staff.

6. Sometimes these budget assumptions are included at the beginning of a more detailed budget document presented to the board and sometimes they are dispersed throughout a comprehensive document.
7. It is helpful to have each district submit a budget assumptions worksheet when they send the SACS forms to the county. This worksheet ensures that the county staff have easy access to the district's budget assumptions and that they get information on the budget assumptions that are significant to an understanding of the district's solvency.
8. Sample budget assumption worksheets that are required in two different counties at first interim are included in P-007.

E. The Budget Review Checklist

1. To ensure a methodical, comprehensive, and standardized review of each district's budget by county staff, it is helpful to use a budget review checklist.
2. Sample checklists are shown at the end of this section.
3. These checklists build upon the analysis that is automatically performed by the state software.

F. Using Other Studies, Reports, Etc.

1. In 2004, the Education Code was changed to require county offices of education to review and consider studies, reports, evaluations, or audits that were commissioned by the district, the county superintendent, the SPI, and state control agencies if these documents contain evidence of fiscal distress. The county superintendent must review this information in addition to their own analysis of the budget of each school district. E.C. 42127 and E.C. 42127.6.
2. Fiscal distress is determined by the standards and criteria adopted in Education Code Section 33127 or findings by an external reviewer that more than 3 of the 15 most common predictors of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team (FCMAT), are present.
3. To ensure that districts provide the information to the county office of education, county offices should consider annually sending a notice to the districts of this legal requirement or including a paragraph in the budget approval letter that reminds district staff of the legal requirement.

G. Additional Financial Analysis

1. In addition to using a budget review checklist to evaluate the adequacy of the budget, many counties also maintain spreadsheets showing a three to five-year history of the district's general fund and average daily attendance (ADA).
2. These additional spreadsheets are used as additional analysis in determining the district's solvency.

H. The Technical Corrections Letter

1. Once the county staff have completed the budget review, it is important to communicate the results of the review to the district staff.
2. Some counties meet with the district staff and discuss the problems noted in the budget review.
3. In other counties, a letter is sent to the district identifying the problems noted during the review and requesting the district to respond in writing.

I. The Budget Review Letter

Included in this section are samples of letters that one county sent to their districts as a result of the review of the districts' budgets.

J. Scenarios

1. The members of the FCMAT committee that worked on the manual developed some scenarios related to solvency and discussed how each situation was handled in their county.
2. These scenarios and the discussion are shown at the end of this section.

Budget Review Checklist #1

Disposition

<div> <div>Budget Review for the</div> <div>School District</div> </div>			Fiscal Year	Initials	Date	Comments
Date the review began:						
Items needed for the review:						
				Most recent audit report.		
				Copy of most recent actuarial study for self-insurance or retiree benefits.		
				Historical ADA information.		
				Most recent state attendance reports.		
				Estimated local control funding prepared by county office staff.		
				Current financial reports for each fund.		
				Historical revenue and expenditure information (county prepared spreadsheets).		
Reviewers:						
				Name of the primary reviewer(s):		
				Review after primary reviewer (director):		
				Review before final letter (assistant superintendent):		
Correspondence:						
				Technical Corrections letter sent:		
				Response received from district to Technical Corrections letter:		
				Budget returned to district (material incomplete when submitted) with deficiency letter:		
				Response received to deficiency letter:		
				Letter approving budget as submitted:		
				Letter disapproving budget as submitted:		
				Draft of letter sent to CBO for review and approval:		
				CBO approved draft letter:		
				Final disapproval letter sent to governing board:		
				Other correspondence:		

Budget Review Checklist #1

Preliminary Review

Review of Preliminary Information			
Complete	Comments	Technical Letter	
Permanent File			
Review the permanent file for the district to determine if there are any internal control weaknesses or other factors that will impact the budget.			
Data Checks			
Extract the Technical Review Checks. If the information doesn't agree with the TRC provided by the district, print a new copy to use in the review.			
Compare the funds submitted (and shown on the Table of Contents) to the prior year's annual audit to determine that the district has submitted a budget for all of the required funds.			
Certifications			
Determine that the budget was presented to the governing board in the SACS format. Note: the CBO may provide a significant level of greater detail to the board, but they must adopt the budget in the SACS format. If a budget book is presented to the governing board and it does not include the SACS forms, determine that the SACS forms were also presented at the board meeting.			
If the district presented material to the board in addition to the SACS forms, determine that the additional information is consistent with the information presented in the SACS forms.			
Determine that the county office has received the signed "District Certification" pages (with original signatures).			
Technical Checklists			
Review the Technical Review Checklist for the Estimated Actuals and determine that all items have been cleared. If explanations are required, determine that the explanations are reasonable.			
Review the Technical Review checklist for the Budget and determine that all items have been cleared. If explanations are required, determine that the explanations are reasonable.			

Budget Review Checklist #1

Preliminary Review (continued)

	Interfund Transfers			
	Review the Forms SIAB and SIAA and determine that all transfers are legal. There are restrictions on many transfers out of the funds other than the general fund; therefore, it is important to determine the reason for the transfers out of the other funds. Discuss the transfers with the chief business official.			
	Form A			
	Review the Form A and determine that the prior year's P-2 ADA agrees to the state attendance reports.			
	Determine the reason for any significant change in ADA.			
	Determine that the budgeted ADA is reasonable by reviewing the trend for the past three years and considering other information about the district.			
	Other			
	Review the footnote in the most recent audit report titled, "Excess of Expenditures Over Appropriations." Significant amounts of expenditures in excess of appropriations indicates a lack of budgetary control that should be considered in the review of the budget. If there are significant excesses of expenditures over appropriations noted in the audit report, consider discussing the expenditure control with management to determine the possible impact of this internal control weakness on the budget.			

Budget Review Checklist #1

Form 01

General Fund Review - Fund 01		
Complete	Comments	Technical Letter
First Tier Review		
	Determine that all items are complete.	
	Determine that all required explanations are reasonable.	
	Determine that the ADA used in the "ADA Variance Level" is correct. Perform this step for information that is not in the extract.	
	Determine that the information for the "Deficit Spending Variance Levels" is correct. Perform this step for information that is not in the extract.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for information that is not in the extract.	
	Verify that the "Multiyear Commitments" are reasonable by comparing the payment information to the long-term debt information in the most recent audit report.	
	Determine that the information on "Retiree Health and Welfare Benefits Liability" is reasonable by comparing it to the information on postretirement benefits in the most recent audit report.	
	Determine that the information in the "Status of Employee Salary and Benefit Negotiations" agrees to the disclosures (if negotiations are settled) or other available information.	
Second Tier Review		
	Determine that all information provided in the second tier review is reasonable.	
Summary		
	Determine that any audit adjustments to the general fund have been correctly posted.	
Revenue Detail		
	Obtain a current detailed financial report for the fund. Compare the amounts recorded as of the current date to the Estimated Actuals on Form 01 to determine that the Estimated Actuals are reasonable. Use historical revenue information to assist in the evaluation.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals. Compare the unrestricted and restricted accounts separately.	
	Determine that the budgeted revenues are reasonable based on the latest information on the state budget and the budget assumptions provided by the district.	
Expenditure Detail		

Budget Review Checklist #1

Form 01 (continued)

	Obtain a current detailed financial report for the fund. Compare the amounts recorded as of the current date to the Estimated Actuals on Form 01 to determine that the Estimated Actuals are reasonable. Use historical expenditure information to assist in the evaluation.		
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals. Compare the unrestricted and restricted accounts separately.		
	Determine that the increases or decreases in salaries and benefits are reasonable based on: the increases or decreases in ADA; increases or decreases in F.T.E.; step and column increases; and COLA (if the district has settled negotiations or if the district has included a COLA in the budget).		
	Analysis of certificated salaries:		
	A: From the Criteria and Standards - Enter the number of certificated F.T.E. included in the budget		
	B: From the Criteria and Standards - Enter the number of certificated F.T.E. included in the prior year's 2nd interim		
	C: Change in certificated F.T.E. (A minus B)		
	D: From Form 01 - Enter the total certificated salaries - budget		
	E: From Form 01 - Enter the total certificated salaries - unaudited actuals		
	F: Change in certificated salaries (D minus E)		
	Determine that the change in certificated salaries (F) is reasonable based on the change in F.T.E. (C) and the salary increases and increases in step and column.		
	Analysis of classified salaries:		
	G: From the Criteria and Standards - Enter the number of classified F.T.E. included in the budget		
	H: From the Criteria and Standards - Enter the number of classified F.T.E. included in the prior year's 2nd interim		
	I: Change in classified F.T.E. (G minus H)		
	J: From Form 01 - Enter the total classified salaries - budget		
	K: From Form 01 - Enter the total classified salaries - unaudited actuals		
	L: Change in classified salaries (J minus K)		
	Determine that the change in classified salaries is reasonable based on the change in F.T.E. (I) and the change in classified salaries (L).		
	Debt Service Payments		

Budget Review Checklist #1

Form 01 (continued)

	Do the debt service payments in the general fund agree to the amounts shown in the multiyear commitments section of the Criteria and Standards Review?		
	General Review		
	If no increases for salaries and benefits are included in the budget, determine the district's ability to fund a COLA based on the available fund balance.		
	Note: Perform this step after the review of all funds is complete. Determine if there is a likelihood that the general fund may have to provide additional subsidies to other funds during the year. This may result from budgets in the other funds that appear overly optimistic based on the financial history of those funds. If there is a likelihood, consider the impact of additional subsidies on the fund balance in the general fund.		
	Multiyear Projection		
	Enter the format used for the multiyear projection (CDE format, etc.)		
	Review the assumptions used in preparing the MYP to determine that they are reasonable.		
	If the district did not use the state MYP software, determine that the budget for the first year agrees to the budget submitted on the Form 01. Consider verifying that the worksheet is mathematically correct.		
	Determine that the district has included step and column for certificated and classified salaries.		
	Determine that the district has adequately budgeted for increases in statutory benefits.		
	If the district has budgeted for growth in ADA, determine that they have budgeted sufficient additional positions and associated benefits.		
	Determine that the budgets in all other revenue and expenditure accounts are reasonable based on the district's history and other information.		
	Determine that the district's fund balance is at least equal to the required designation for economic uncertainty for all years.		
	Determine that the multiyear financial projection supports the approval of the district's budget.		
	Other Issues - Note any other concerns/information in this section.		

Budget Review Checklist #1

Form 09

Charter School Fund Review - Fund 09			
Complete	Comments	Technical Letter	
Summary Financial			
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.		
Revenue and Expenditure Detail			
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 09 to the current financial report to determine if they are reasonable.		
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals.		
	Determine that the budgeted amounts are reasonable based on the latest information on the state budget and the budget assumptions provided by the district.		
Financial Analysis			
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years. Consider if this could require a contribution (or an increased contribution) from the general fund.		
	Determine if the increases and decreases in budgeted revenue and expenditures are reasonable based on the change in ADA.		
	If there are no increases for salaries and benefits included in the budget, consider the fund's ability to fund a COLA based on the available fund balance. Consider the impact on the operating surplus or deficit (section E) and any contributions from the general fund.		
	Other Issues - Note any other concerns/information in this section.		

Budget Review Checklist #1

Form 19

Adult Education Fund Review - Fund 11		
Complete	Comments	Technical Letter
	First Tier Review	
	Determine that all items are complete and that all required explanations are reasonable.	
	Determine that the ADA used in the "ADA Variance Level" is correct. Perform this step for information that is not in the extract.	
	Determine that the information for the "Deficit Spending Variance Level" is correct. Perform this step for information that is not in the extract.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for information that is not in the extract.	
	Summary Financial	
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
	Revenue and Expenditure Detail	
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 11 to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals.	
	Determine that the budgeted amounts are reasonable based on the latest information on the state budget and the budget assumptions provided by the district.	
	Financial Analysis	
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years.	
	Determine if the increases and decreases in budgeted revenue and expenditures are reasonable based on the change in ADA.	
	If there are no increases for salaries and benefits included in the budget, consider the fund's ability to fund a COLA based on the available fund balance. Consider the impact on section E (operating surplus or deficit).	
	Other Issues - Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 12

Child Development Fund Review - Fund 12		
Complete	Comments	Technical Letter
First Tier Review		
	Determine that all items are complete and that all required explanations are reasonable.	
	Determine that the information for the "Deficit Spending Variance Level" is correct. Perform this step for information that is not included in the extract.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for information that is not included in the extract.	
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 12 to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals.	
	Determine that the budgeted amounts are reasonable based on the budget assumptions provided by the district.	
Financial Analysis		
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years. Consider if this could require a contribution (or an additional contribution) from the general fund.	
	If there are no increases for salaries and benefits included in the budget, consider the fund's ability to fund a COLA based on the available fund balance. Consider the impact on the operating surplus or deficit (section E) and any contribution from the general fund.	
	Other Issues - Note other concerns/information in this section.	

Budget Review Checklist #1

Form 13

Cafeteria Fund Review - Fund 13			
Complete	Comments	Technical Letter	
First Tier Review			
	Determine that all items are complete and that all required explanations are reasonable.		
	Determine that the information for the "Deficit Spending Variance Level" is correct. Perform this step for information that is not included in the extract.		
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for information that is not included in the extract.		
Summary Financial			
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.		
Revenue and Expenditure Detail			
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 13 to the current financial report to determine if they are reasonable.		
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals.		
Financial Analysis			
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years. Consider if this could require a contribution (or an additional contribution from the general fund).		
	Determine if the increases and decreases in budgeted revenue and expenditures are reasonable based on the change in ADA for the district.		
	If there are no increases for salaries and benefits included in the budget, consider the fund's ability to fund a COLA based on the available fund balance. Consider the impact on the operating surplus or deficit (section E) and any contributions from the general fund.		
	Other Issues: Note any other concerns/information in this section.		

Budget Review Checklist #1

Form 14

Deferred Maintenance Fund Review - Fund 14		
Complete	Comments	Technical Letter
First Tier Review		
	Determine that all items are complete and that all required explanations are reasonable.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for the information that is not included in the extract.	
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 14 to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals and any other considerations.	
	Other Issues: Note any other issues/information in this section.	

Budget Review Checklist #1

Forms 15-19

Use This Worksheet for Funds 15 - 19		
Prepare a Separate Section for Each Fund (By copying this section)		
Complete	Comments	Technical Letter
First Tier Review (Funds 15 and 18 only)		
	Determine that all items are complete and that all required explanations are reasonable.	
	Determine that the information for the "Deficit Spending Variance Level" is correct. Perform this step for the information that is not included in the extract.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for the information that is not included in the extract.	
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals and any other considerations.	
Financial Analysis		
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years. Consider if this could require a contribution (or an additional contribution from the general fund).	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 21

Building Fund Review - Fund 21		
Complete	Comments	Technical Letter
Summary Financial		
	Obtain a current financial report for the fund. Compare the amounts recorded as of the current date to the Estimated Actuals to determine if the Estimated Actuals are reasonable.	
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
	If there is only a small amount of fund balance remaining at the end of the budget year, consider performing additional procedures to determine that there are sufficient funds to complete all projects and that general funds will not be needed to complete any projects.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 25

Capital Facilities Fund Review - Fund 25		
Complete	Comments	Technical Letter
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 25 to the current financial report to determine if they are reasonable.	
	Determine that the budget is reasonable by comparing it to the Estimated Actuals and any other available information.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 30

State School Building Fund Review - Fund 30		
Complete	Comments	Technical Letter
Summary Financial		
Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.		
Revenue and Expenditure Detail		
Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 30 to the current financial report to determine if they are reasonable.		
Determine that the budget is reasonable based on additional information from the district (e.g., what funds are still due from OPSC, what costs are remaining on a project-by-project basis).		
Other		
Determine that the district has transferred the required 2% into the Routine Repair and Maintenance Account in the restricted general fund from the unrestricted general fund. The 2% is calculated based on the district's total general fund budget.		
Obtain information on the district's project balances in this fund (on a project-by-project basis). The district staff should be able to provide this list. Determine that the fund balance is sufficient to cover all project balances. Determine that the district has transferred funds from another funding source if there are projects with deficit balances.		
Other Issues: Note any other concerns/information in this section.		

Budget Review Checklist #1

Form 35

County School Facilities Fund Review - Fund 35		
Complete		Technical
	Comments	Letter
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 35 to the current financial report to determine if they are reasonable.	
Other		
	Determine that the district has transferred the required 3% to the Routine Repair and Maintenance Account from the unrestricted general fund to the restricted general fund. The 3% is calculated based on the district's total general fund budget. Unified districts with an ADA of 1,200 or less, elementary districts with ADA of 900 or less, and high school districts with ADA of 300 or less may be permitted to deposit less than the maximum 3% by certifying that the district can maintain its facilities with a lesser dollar amount.	
	Determine that the budgeted ending fund balance is sufficient to cover any remaining project balances. Obtain this information from the district. Consider the need to transfer funds from other funding sources to finish the projects.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 40

Special Reserve for Capital Outlay Projects Fund Review - Fund 40		
Complete	Comments	Technical Letter
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 40 to the current financial report to determine if they are reasonable.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 51

Bond Interest and Redemption Fund Review - Fund 51			
Complete		Comments	Technical Letter
	Summary Financial		
	Obtain a current financial report for the fund (if available). Compare the amounts recorded as of the current date to the Estimated Actuals to determine if the Estimated Actuals are reasonable.		
	Compare the budgeted amounts to the Estimated Actuals. Are the budgeted amounts reasonable?		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.		
	Revenue and Expenditure Detail		
	Determine that the budgeted debt service expenditures agree to the debt service payments (from the Multiyear Commitment section or the prior year's audit report). The taxes collected should approximate the debt service payment due at the beginning of the new fiscal year before the additional taxes come in.		
	Other Issues: Note any other concerns/information in this section.		

Budget Review Checklist #1

Form 53

Tax Override Fund Review - Fund 53		
Complete	Comments	Technical Letter
Summary Financial		
	Obtain a current financial report for the fund. Compare the amounts recorded as of the current date to the Estimated Actuals to determine if the Estimated Actuals are reasonable.	
	Compare the budgeted amounts to the Estimated Actuals. Are the budgeted amounts reasonable?	
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Determine that the budgeted debt service expenditures agree to the debt service payments (from the Multiyear Commitment section or the prior year's audit report). The taxes collected should approximate the debt service payment due.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 61

Cafeteria Fund Review - Fund 61		
Complete	Comments	Technical Letter
First Tier Review		
	Determine that all items are complete and that all required explanations are reasonable.	
	Determine that the information for the "Deficit Spending Variance Level" is correct. Perform this step for information that is not included in the extract.	
	Determine that the information for the "Change in Fund Balance" is correct. Perform this step for information that is not included in the extract.	
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 61 to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals.	
Financial Analysis		
	If the fund has an operating deficit in section E, determine the fund's ability to sustain this deficit over the next two years. Consider if this could require a contribution (or an additional contribution from the general fund).	
	Determine if the increases and decreases in budgeted revenue and expenditures are reasonable based on the change in ADA for the district.	
	If there are no increases for salaries and benefits included in the budget, consider the fund's ability to fund a COLA based on the available fund balance. Consider the impact on the operating surplus or deficit (section E) and any contributions from the general fund.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 67

Self-Insurance Fund Review - Fund 67		
Complete	Comments	Technical Letter
Summary Financial		
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.	
Revenue and Expenditure Detail		
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals on Form 67 to the current financial report to determine if they are reasonable.	
	Determine that the budgeted amounts are reasonable based on a comparison to the Estimated Actuals and other considerations.	
Financial Analysis		
	Determine that the district is adequately budgeting the incurred but not reported claims (IBNR). This information should come from the district's actuarial study.	
	Other Issues: Note any other concerns/information in this section.	

Budget Review Checklist #1

Form 71

Retiree Benefit Fund Review - Fund 71			
Complete	Comments	Technical Letter	
Summary Financial			
	Determine that the beginning balance for the year just ended agrees to the district's most recent audit report and any audit adjustments have been posted to the beginning balance.		
Revenue and Expenditure Detail			
	Obtain a detailed revenue and expenditure report for the fund. Compare the Estimated Actuals to the current financial report to determine if they are reasonable.		
	Determine that the budget is reasonable based on a comparison to the Estimated Actuals.		
	Determine that the payments made for retiree benefits agrees to the amounts in the Multiyear Commitments section of the Criteria and Standards or the amounts in the postretirement footnote of the prior year's audit report.		
	Other Issues: Note any other concerns/information in this section.		

Budget Review Checklist #2

SAMPLE COUNTY OFFICE OF EDUCATION

District Advisory Services

ADOPTED BUDGET REVIEW

Fiscal Year 2003-04

District
Name: District
CDS Code:

REVIEWED BY:	
SUMMARY OF REVIEW AND RECOMMENDA- TIONS	
Budget returned to district (materials incomplete when submitted) _____	Date returned: _____
Budget approved as submitted or with concerns. _____	Date sent: _____
Budget disapproved and letter with recommendations sent to Chief Business Official for review and comments _____	CBO: _____ Date sent to CBO: _____
Budget disapproved and letter with recommendations sent to district's governing board. _____	SUPT: _____ Date Sent : _____
COMMENTS:	

Budget Review Checklist #2

REVIEW OF PRELIMINARY INFORMATION	COMMENTS - NOTES
Forms CB & CC - DISTRICT CERTIFICATION	
Determine that the budget was presented to the board in SACS format.	
Are there additional information submitted to the Board?	
Determine that county office received certifications with original signatures.	
Form TRC - TECHNICAL REVIEW CHECKS	
Review status of all import, export, general ledger and supplemental checks for Estimated Actuals and Adopted Budget.	
Have allowable exceptions been reasonably explained?	
Form SIAA & SIAB - SUMMARY OF INTER-FUND ACTIVITIES	
Do all transfers in equal transfers out?	
Are transfers being made from restricted funds? (Building Fund, BIRF, Self-Insurance Fund, etc.)	
Determine the nature of the transfers out from the other funds.	
Form A - AVERAGE DAILY ATTENDANCE	
Review Form A and determine that the prior year's P-2 and Annual ADA agrees to the J18/19.	
Determine the reason for any significant change in ADA.	
Is ADA projection reasonable? Review trend for the past three years.	

Budget Review Checklist #2

REVIEW OF GENERAL FUND	
Form 01CS - CRITERIA & STANDARDS REVIEW	
Determine that the Criteria & Standards Summary and In-depth Review are complete.	
Compare data to PY for accuracy.	
Determine that information that is not in the extract is accurate (ADA, operating expenditure, deficit spending, change in fund balance, etc..)	
Does district meet standards in these areas? (ADA, Deficit Spending, Min. Rsrv., etc.)	
Is reasonable Supplemental Information provided in the C&S Summary?	
Review reasonableness of Multiyear Commitments by comparing the information in the most recent audit report.	
Review reasonableness of Retiree Health and Welfare Benefits Liability by comparing the information in the most recent audit report.	
Status of employee negotiations: Certificated: _____	
Classified: _____	
Form 01 - GENERAL FUND SUMMARY	
Compare Estimated Actuals to historical data or County Financial Report	
Compare Estimated Actuals to Second or Third Interim Report	
Review “% of difference” column. Is it reasonable?	
Review reasonableness of Restricted Balance, Reserved Items, Designated Items,	
Undesignated Balance (positive or zero)?	
Estimated Actuals beginning fund balance agrees with audit report.	
Determine that audit adjustments to the General Fund have been correctly posted.	
Verify reserve calculation meets applicable % of reserve requirement	
Form 01 - REVENUE DETAIL	
Local Taxes agree with J-29B?	
ERAF #8045 agrees with J-29B?	
Check PERS Reduction, Special Ed, ROC/P Transfer and other transfers (Obj.#8311 to 7221-7223, etc..)	
Is Mandated Costs Reimbursement revenue #8550 within reason?	
Calculate the lottery revenue:	
PY ADA (_____ Reg & Adult) x 1.04446 x \$_____ per ADA (Budget)	
PY ADA (_____ Reg & Adult) x 1.04446 x \$_____ per ADA (Actual)	

Budget Review Checklist #2

Compare Class Size Reduction revenues to latest Form CSR report for reasonableness.	
Determine that budgeted revenues are reasonable based on the latest information	
on the state budget, dashboard and budget assumptions provided by the district.	
Form 01 - EXPENDITURE DETAIL	
Are salary and benefit increases/decreases reasonable? Budget consistent with assumptions and C&S information? Consider changes in enrollment, ADA, FTE, step & column adjustments, COLA, etc..	
If no increases for salaries and benefits are included in the budget, determine the district's ability to fund COLA based on available fund balance.	
Review reasonableness of other expenditure categories. Compare with historical data.	
Review debt service payments in relation to multiyear commitments section in the Criteria and Standards.	
Form 01 - OTHER FINANCING SOURCES/USES DETAIL	
Determine reasonableness of the increases/decreases in financing uses.	
Determine reasonableness of the increases/decreases in financing sources.	
Form 01 - ENDING BALANCES (AB 1200 COMPLIANCE)	
Does the district have a liability for retiree benefits? YES NO	
Did the district choose to reserve for this liability? YES NO	
Amount Reserved \$_____	
Has the reserve been transferred to another fund? YES NO	
Form 01 - GENERAL REVIEW	
Determine if there is a likelihood that the General Fund may have to provide additional subsidies to other funds during the year. This may result from budgets in the other funds that appear overly optimistic based on the financial history of those funds. If there is a likelihood, consider the impact on the ending fund balance in the General Fund.	Comments:
Check concerns, findings and other pending issues about the district from review of prior year interim reports. Determine if these items were resolved.	
Form MYP - MULTI-YEAR PROJECTIONS	
Enter the format used for the multi-year projections (CDE format, etc.)	

Budget Review Checklist #2

	Determine reasonableness of assumptions used.	
	Verify that the base year totals in MYP match the Form 01 totals?	
	Do projections for enrollment, ADA and staffing appear reasonable?	
	If district projected growth in ADA, determine that sufficient additional positions and associated benefits are included in the budget.	
	Determine reasonableness of future year's revenue projections. (COLA's, one-time monies, local contributions, parcel taxes, etc.)	
	Are projections for salaries and benefits consistent with staffing changes described in the narratives and step & column increases?	
	Have multi-year collective bargaining agreements been reflected in the salary projections?	
	Do projections for supplies, services, capital outlay and other expenditures appear reasonable? (energy cost, health & welfare, one-time expenses, etc.)	
	Prior year ending balances forwarded correctly as beginning balances.	
	Review components of ending balances for each year.	
	Does the district anticipate maintaining the minimum state-required reserves for current and future years?	
	Verify that fund balance are positive for all years.	
	Note deficit spending trend. Has deficit financing occurred in the prior years?	
	Is deficit financing projected in the current and subsequent two years? If so, has a plan been submitted to correct the deficit spending trend?	
	Consider the current year issues with the district (declining fund balance, declining enrollment/ADA, bond issues, parcel tax elections/expiration, staff turn-overs, etc.)	
	Other Considerations:	
REVIEW OF OTHER FUNDS		COMMENTS - NOTES
Form 09 - CHARTER SCHOOL FUND		

Budget Review Checklist #2

Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the state budget and the assumptions provided by the district.	
Note deficit spending trend and district's corrective action plan.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 11 - ADULT EDUCATION FUND	
Determine that the information in the Criteria & Standards Summary are complete.	
Compare data to PY for accuracy.	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the state budget and the assumptions provided by the district.	
Review adult ed ADA growth/trend and ADA cap. Compare with budgeted ADA for reasonableness.	
Note deficit spending trend and district's corrective action plan.	
Note restrictions on subsidies from other funds (EC 52616(b) and 52501).	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 12 - CHILD DEVELOPMENT FUND	
Determine that the information in the Criteria & Standards Summary are complete.	
Compare data to PY for accuracy.	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Note deficit spending trend and district's corrective action plan.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Consider if this fund would potentially require contribution from the General Fund.	

Budget Review Checklist #2

	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 13 - CAFETERIA FUND		
	Determine that the information in the Criteria & Standards Summary are complete.	
	Compare data to PY for accuracy.	
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Verify that any audit adjustments have been posted.	
	Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
	Note deficit spending trend and district's corrective action plan.	
	Ending fund balance negative? If yes, indicate amount. \$ _____	
	Consider if this fund would potentially require contribution from the General Fund.	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 14 - DEFERRED MAINTENANCE FUND		
	Determine that the information in the Criteria & Standards Summary are complete.	
	Compare data to PY for accuracy.	
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Verify that any audit adjustments have been posted.	
	Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
	Check for Def. Maintenance Allowance #8540 and Matching Transfer In #8915	
	Ending fund balance negative? If yes, indicate amount. \$ _____	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 17 - SPECIAL RESERVE FUND (Other than Capital Outlay Projects)		

Budget Review Checklist #2

Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Verify new or substantial increases in income and/or expenditures	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 21 - BUILDING FUND	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Multiple Projects must be consolidated into one report for CDE	
Verify new or substantial increases in income and/or expenditures	
If there is only a small amount of fund balance remaining at the end of the budget year, consider performing additional procedures to determine that there are sufficient funds to complete all projects and that the general funds will not be needed to complete any projects.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 25 - CAPITAL FACILITIES FUND	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Multiple Projects must be consolidated into one report for CDE	
Verify new or substantial increases in income and/or expenditures	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 30 - STATE SCHOOL BUILDING FUND	

Budget Review Checklist #2

Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Multiple Projects must be consolidated into one report for CDE	
Verify new or substantial increases in income and/or expenditures	
Determine that the district has transferred the required 2.5% into the Routine Repair and Maintenance Account in the restricted general fund from the unrestricted general fund.	
Determine that the fund balance is sufficient to cover all project balances.	
If there are projects with deficit balances, determine that the district has transferred sufficient funds from another funding sources.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 35 - COUNTY SCHOOL SERVICE FUND (PROP 1A)	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Multiple Projects must be consolidated into one report for CDE	
Verify new or substantial increases in income and/or expenditures	
Determine that the district has transferred the required 3% into the Routine Repair and Maintenance Account in the restricted general fund from the unrestricted general fund.	
Determine that the fund balance is sufficient to cover all project balances.	
If there are projects with deficit balances, determine that the district has transferred sufficient funds from another funding sources.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 40 - SPECIAL RESERVE FUND (CAPITAL PROJECTS)	

Budget Review Checklist #2

	Determine purpose(s) of this fund - what capital projects?	
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Verify that any audit adjustments have been posted.	
	Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
	Multiple Projects must be consolidated into one report for CDE	
	Verify new or substantial increases in income and/or expenditures	
	Ending fund balance negative? If yes, indicate amount. \$ _____	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 51 - BOND INTEREST AND REDEMPTION FUND		
	Ensure correct copy of Form 51- Unaudited Actuals retained by COE	
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Determine that the budgeted debt service expenditures agree to the debt service payments (from the multi-year commitment section or the prior year's audit report). The taxes collected should approximate the debt service payment due.	
	Verify that any audit adjustments have been posted.	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Note:	COE staff prepares the Form 51 during the Unaudited Actuals reporting period. Report includes budget information for the subsequent year.	
Form 53 - TAX OVERRIDE FUND		
	Determine what debt repayment this fund finances?	
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Verify that any audit adjustments have been posted.	
	Determine that the budgeted debt service payments agree to the multiyear commitment section of the Criteria and Standards or the prior year's audit report.	
	Verify new or substantial increases in income and/or expenditures	
	Ending fund balance negative? If yes, indicate amount. \$ _____	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 63 - OTHER ENTERPRISE FUND		

Budget Review Checklist #2

Determine that the information in the Criteria & Standards Summary are complete.	
Compare data to PY for accuracy.	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Verify new or substantial increases in income and/or expenditures	
Note deficit spending trend and district's corrective action plan.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Consider if this fund would potentially require contribution from the General Fund.	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form 67 - SELF-INSURANCE FUND	
Determine purpose of fund and compliance with accounting & Ed Code 17566 reqmts	
Estimated Actuals beginning fund balance agrees with most recent audit report.	
Verify that any audit adjustments have been posted.	
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
Use actuarial study to determine if adequate reserves are in fund.	
Indicate date of last actuarial study: _____	
Ensure that proper accruals for liabilities have been made	
Note deficit spending trend and district's corrective action plan.	
Ending fund balance negative? If yes, indicate amount. \$ _____	
Consider if this fund would potentially require contribution from the General Fund.	
Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	

Budget Review Checklist #2

Form 71 - RETIREE BENEFIT FUND		
Estimated Actuals beginning fund balance agrees with most recent audit report.		
Verify that any audit adjustments have been posted.		
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.		
Determine that the payments made for retiree benefits agrees to the amounts in		
the multi-year commitments section of the criteria and standards or the		
postretirement footnote of the prior year's audit report.		
Check transfers in to see if they agree with Form 01 transfers out		
Note deficit spending trend and district's corrective action plan.		
Ending fund balance negative? If yes, indicate amount. \$ _____		
Consider if this fund would potentially require contribution from the General Fund.		
Check concerns, findings and other pending issues about this fund from		
review of prior year interim reports. Determine if these items were resolved.		
Form 72 - ARTICLE XIIIIB FUND		
Estimated Actuals beginning fund balance agrees with most recent audit report.		
Verify that any audit adjustments have been posted.		
Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.		
Note deficit spending trend and district's corrective action plan.		
Ending fund balance negative? If yes, indicate amount. \$ _____		
Check concerns, findings and other pending issues about this fund from		
review of prior year interim reports. Determine if these items were resolved.		

Budget Review Checklist #2

Form 73 - FOUNDATION TRUST FUND		
	Estimated Actuals beginning fund balance agrees with most recent audit report.	
	Verify that any audit adjustments have been posted.	
	Determine reasonableness of amounts in the Budget and Estimated Actuals columns based on the assumptions provided by the district.	
	Note deficit spending trend and district's corrective action plan.	
	Ending fund balance negative? If yes, indicate amount. \$ _____	
	Consider if this fund would potentially require contribution from the General Fund.	
	Check concerns, findings and other pending issues about this fund from review of prior year interim reports. Determine if these items were resolved.	
Form ASSET - SCHEDULE OF CAPITAL ASSETS		
	Verify that Unaudited Balance agrees with prior year audit report and that any audit adjustments have been posted.	
	Determine reasonableness of amounts in increases and decreases columns.	
	Check concerns, findings and other pending issues from review of prior year interim reports. Determine if these items were resolved.	
Form DEBT - SCHEDULE OF LONG-TERM LIABILITIES		
	Verify that Unaudited Balance agrees with prior year audit report and that any audit adjustments have been posted.	
	Determine reasonableness of amounts in increases and decreases columns.	
	Check concerns, findings and other pending issues from review of prior year interim reports. Determine if these items were resolved.	

Budget Review Checklist #2

GENERAL INFORMATION: (Check all that are applicable)	
New Superintendent within past six months	
New Chief Business Official within past six months	
New Budget person within past six months	
New Superintendent starts this fiscal year	
New Chief Business Official starts this fiscal year	
New Budget person starts this fiscal year	
School Bond Election to be held this fiscal year	
District offered early retirement incentives in [prior year]	
New Board members elected last year	
Board election occurring this fiscal year	
Other relevant information:	
<p>Materials Use for Review and Analysis of District's Adopted Budget & Multi-Year Projections:</p> <ol style="list-style-type: none"> 1) J-18/19 P-2 tand Annual 3) Historical ADtA information 4) School Sertvices Dartboard/Governor's Budget 5) ACOE Local Control Funding Formula Calculation 6) Most Recent Audit Report 7) CSR enrollment report 8) Historical Revenue & Expense Data or County Financial Report 9) Budget/Interims/Unaudited Actuals Review Letters 10) J-29 B (P-2) 11) Actuarial Study for Self-Insurance or Retiree Benefits 	

Budget Review Checklist #3

DIVISION OF BUSINESS ADVISORY SERVICES
Financial Management Services
Fiscal Solvency Evaluation Work Program

2003-04 ADOPTED BUDGET REVIEW
Executive Summary and Approvals

DISTRICT NAME:

BAS REVIEW RESULTS:

☐ **Approved**

☐ **Disapproved**

Evaluation Summary

Review and Certification

Consultant

Signature

Date

Concurrent Review

Financial Advisory Services Officer

Signature

Date

Review and Approval

Assistant Director, Financial Management Services

Signature

Date

Approval (if Disapproved)

Director, Division of Business Advisory Services

Signature

Date

Budget Review Checklist #3

2003-04 JULY 1ST ADOPTED BUDGET CHECKLIST FOR REVIEWING THE SACS REPORT

DISTRICT NAME: _____ District CDS No. _____
LEA Contact Person: _____ Telephone No. _____

INITIAL CHECK-IN

The log-in process begins in June and lasts into July. The following individuals will be responsible for doing initial check-ins:.

Person Completing Initial Check-in: _____

1. Date Adopted Budget received _____

RECEIVED

- a. Was it received on time (see Master "Date" Sheet)? ☐ YES ☐ NO
2. Validate each of the following items:
- a. One hardcopy received ☐ YES ☐ NO
- b. One disk received with all of the following listed on it:
- full district name - not initials for district's name - spell out ☐ YES ☐ NO
 - the report title, i.e., **SACS 2003-04 Budget**. ☐ YES ☐ NO
 - the district's CDS code ☐ YES ☐ NO
 - date disk was received should be stamped ☐ YES ☐ NO
 - if any of above information is not on the disk, add as needed ☐ YES ☐ NO
- 3.. Virus Check:
- Scan and stamp the disk for viruses, stamp and check off: ☐ YES ☐ NO
4. Verify for proper original signature, date received, and contact person listed on **SACS CB** ☐ YES ☐ NO
5. Verify for authorized signatures & dates on **SACS CC** ☐ YES ☐ NO
- A. The budget with original signature from the clerk/secretary of the district's Board with adoption date, is then:
- date stamped ☐ YES ☐ NO
 - numbered the same as its jacket ☐ YES ☐ NO
 - logged in on the master record ☐ YES ☐ NO
 - stamped either "Single Final Budget" or "Dual-July 1-Budget" ☐ YES ☐ NO
 - **Checked to see that "used/not used" is marked for all proper funds on SACS TC (See BLUE Notebook fund lists)** ☐ YES ☐ NO
 - Checked for complete contents as shown on **SACS TC** ☐ YES ☐ NO

Budget Review Checklist #3

(Corrections must be marked in red on the budget jacket sheet.)

- **Call immediately on any missing forms. Note in red on the jacket.**

- List all missing forms for any appropriate funds not received: _____

- **When missing items are received, note on the jacket (Richard, Loretta, Consultant)**

- Technical Review Checklist (TRC) is received and complete. ☐ YES ☐ NO
- Criteria and Standards (C&S) Summary or In-depth Review. is received and completed **for all appropriate funds.** ☐ YES ☐ NO
- Status of Negotiations reported on C&S (see Supplemental Information, Item L), if not, tell reviewer. ☐ YES ☐ NO
- Charter Schools Financial Reporting Status Form if necessary ☐ YES ☐ NO
- B. All funds are checked for **negative beginning/ending balance.** ☐ YES ☐ NO
(Validate against the TRC comments.) List any funds with negative balances and report immediately to Chris and to the consultant for discussion with District/LEA.

Negative Funds:

- C. Assumptions are received ☐ YES ☐ NO
- D. Multiyear projections are received for: ☐ 2004-05 ☐ 2005-06
 - Equivalent to **SACS Form MYP** ☐ YES ☐ NO
 - Other ☐ YES ☐ NO
- E. Validate that the disk & hardcopy agree. All numbers, totals, etc., must match up. ☐ YES
- F. Check-in person calls district for any missing documents:
 - Date(s) called
 - District contact person
 - Items Requested _____

District's/LEA's Response: _____

Date check-in completed _____
Accounting/Operational Technician initial _____

Place this form, with the budget, into the budget folder and give to the consultant assigned to the district.

Budget Review Checklist #3

BUDGET REVIEW

All Budget reviews are to be completed no later than **August 8, 2003**. Discuss problems/concerns with district business officials.

BAS Staff Completing the Budget Review: _____

PHASE 1

Perform the following tests:

- | | |
|--|------------------------------|
| 1. Review the results of the initial check-in. | <input type="checkbox"/> YES |
| 2. Call the district if any items are still missing & verify that they are coming in ASAP.
(NOTE: The responsibility of getting missing documents or information ultimately rests with the consultant.) | <input type="checkbox"/> YES |
| 3. Confirm if there are any negative balances. If so, notify Emmanuel & Chris immediately. | <input type="checkbox"/> YES |
| 4. Validate that all subfunds are properly defined (i.e., Health Insurance, Workers' Compensation). | <input type="checkbox"/> YES |
| 5. Review cover letters and/or narratives | <input type="checkbox"/> YES |
| 6. Review the Technical Review Checklist for exceptions | <input type="checkbox"/> YES |
| 7. Review the Criteria and Standards forms for potential issues | <input type="checkbox"/> YES |
| 8. Review the budget assumptions, multiyear projections & assumptions for reasonableness | <input type="checkbox"/> YES |
| 9. Review the estimated actuals for reasonableness | <input type="checkbox"/> YES |

NOTES

- I. All information provided by the district including numeric data, supplemental schedules and narratives, assumptions, or other supporting documentation, is crucial to assessing the reasonableness and viability of the budget.
- II. Any corrections made to the budget by the Consultant should be **noted in red** on the budget and on the jacket. **The district's budget disk must also be updated to reflect such changes. Request a revised disk from district. The COE may not make changes to the disk based only on a verbal authorization from the district.** The district staff authorizing the changes must be noted along with the date and time of authorization.
- III. **If the consultant or the district determines that a correction will result in a change to the fund balance, it must be approved by the district's governing board before COE review/approval.**
- IV. If you have any concerns about the information submitted by the district, request additional information from the district in sufficient time to meet the review deadline.

Budget Review Checklist #3

PHASE 2

CRITERIA AND STANDARDS REVIEW

1. Perform the following tests to ensure that the District has adopted a budget in accordance with state Criteria and Standards. Discuss the evaluation tests performed as part of the review and verify the District's reported calculations. Comment on necessary actions as appropriate.

FIRST TIER REVIEW (Deviations from the Average Daily Attendance, Deficit Spending, or Reserves standards trigger a second tier review--the Second Tier is in addition to all items in the First Tier)

- 1(a) Review Fund Balances. Verify that a multiyear projections for the General Fund indicate that the fund balance at the end of this fiscal year and the two subsequent fiscal years will be positive.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

- 1(b) Verify that fund balance is not less than the sum of its components. Compare the change in fund balance for the budget and two prior years. Provide an explanation if the fund balance has declined for the last two fiscal years.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

- 1(c) Analyze the status of other funds that have negative fund balances at the end of the fiscal year. Evaluate any multiyear commitments related to the projected negative balances in other funds. Verify that a SACS Form was submitted for any negative Non-General Fund and note what arrangements the district has made to handle these issues.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

- 1(d) Identify all temporary borrowings between funds (refer to EC Section 42603) and note any potential adverse impact on District solvency.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

- 1(e) Verify that the District's Average Daily Attendance (ADA) has not been overestimated in the 1st prior year or in 2 or more of the previous 3 years by more than the following variance levels. **Circle the criteria that applies** to the district, and **note/document consultant's test calculation** and compare to District reported percentage:

1.030	for districts with	0	300 ADA
1.025	for districts with	301	1,000 ADA
1.020	for districts with	1,001	30,000 ADA
1.015	for districts with	30,001	400,000 ADA
1.010	for districts with	400,001	and over ADA

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

1(f) Verify that Deficit spending (Revenues plus Other Financing Sources less Expenditures less Other Financing Uses) has not exceeded the following variance levels in either the 1st and 2nd prior years of the 1st and 3rd prior years. **Circle the criteria that applies** to the district, and **note/document consultant's test calculation** and compare to District reported percentage:

.0165	for districts with	0	300 ADA
.0132	for districts with	301	1,000 ADA
.0099	for districts with	1,001	30,000 ADA
.0066	for districts with	30,001	400,000 ADA
.0033	for districts with	400,001	and over ADA

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

1(g) Test and verify that available reserves are not less than the following percentages as applied to total expenditures, transfers out and other uses, except as provided for in Education Code Section 33128. **Circle the criteria that applies** to the district, and **note/document consultant's test calculation** and compare to District reported percentage:

the greater of 5% or \$50,000	for districts with	0	300 ADA
the greater of 4% or \$50,000	for districts with	301	1,000 ADA
3%	for districts with	1,001	30,000 ADA
2%	for districts with	30,001	400,000 ADA
1%	for districts with	400,001	and over ADA

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

1(h) If more than 1% of on-going General Fund operating expenditures are funded with one-time resources in the budget year, explain how the one-time resources will be replaced to continue funding the on-going expenditures in the following years.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

- 1(i) Analyze the change in Special Education funding. Provide an explanation if revenues have changed by more than 5% from the prior year.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

- 1(j) Identify all significant multiyear commitments for the next three years and identify the resources used to service those commitments.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

- 1(k) Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that have occurred since budget adoption that may impact the budget. Review the District's 2002-03 audit report adjustments shown in columns A, B, and C on the estimated actuals. Note impact of adjustments on the budget. *Note any disallowed amounts resulting from the State Controllers' Office ADA Audits of 1996-97 Absence Notes.*

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

- 1(l) Identify the liability for health and welfare benefits for retired employees based on the required actuarial study, and how the costs are accounted for.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Budget Review Checklist #3

- 1(m) Identify the status of all capital projects that may impact the General Fund operational budget and comment on any negative effects on fiscal solvency.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

- 1(n) Analyze contributions to restricted programs. Provide an explanation if contributions have increased more than 10% from the prior year.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

- 1(o) Analyze the status of employee salary and benefit negotiations [circle as applicable]:

- **Certificated:** _____
not settled _____
settled _____
not budgeted _____
budgeted _____
- **Classified:** _____
not settled _____
settled _____
not budgeted _____
budgeted _____

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Budget Review Checklist #3

1(p) If salary and benefit negotiations are not finalized; upon settlement with the certificated or classified staff:

- Verify that the school district has determined the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and has provided the county office of education with an analysis of the cost of the settlement and its impact on the operating budget. Verify that the governing board has certified to the validity of the analysis.
- Verify that the county office has reviewed and provided written comments about the settlement proposal to the president of the district governing board and the district superintendent.
- Review the assumptions used regarding the costs of step & column increases, attrition, & the costs of finalized collective bargaining agreements.
- Did the district complete the status of negotiations analysis in the Criteria & Standards? Verify & analyze reserves carefully when negotiations are not settled.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

1(q) Validate and comment on assumptions and data for 2003-04, 2004-05, and 2005-06 that indicate any anticipated fiscal problems in deficit spending, Reserve for Economic Uncertainties, etc. Note and comment on the calculated reserve amounts and ratios for each fiscal year. _____
Verify that assumptions support the district solvency and fund balances for each year.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Budget Review Checklist #3

2. SECOND TIER REVIEW (Deviations must be explained in writing)

NOTE: In addition to all items in the 1st Tier, the 2nd Tier includes:

2(a) Test and Review Other Revenues and verify that:

- (i) Projected federal revenues have not increased or decreased by more than **10 percent** from the prior year revenues.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

- (ii) Projected other state revenues have not increased or decreased by more than **10 percent** from the prior year revenues.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Projected local revenues have not increased or decreased by more than **10 percent** from the prior year revenues.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

2(b) Test and Review Salaries and Benefits:

Verify that budgeted salaries and benefits have not increased by more than **the district's change in base Local Control Funding Formula per ADA, plus change in Local Control Funding Formula ADA from prior year.**

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

2(c) Test and Review Other Operating Expenses:

(i) Verify that budgeted expenditures for books and supplies, and services and other operating expenditures, have not increased or decreased by more than **10 percent** or the change in base Local Control Funding Formula per ADA plus the change in Local Control Funding Formula ADA (whichever is greater) from the prior year.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

(ii) Verify that budgeted capital outlay and other outgo have not increased or decreased by more than **40 percent** from the budgeted year.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

2(d) Test and Review Other Sources and Use: _____

(i) Verify that budgeted other sources have not increased or decreased by more than **40 percent** from the prior year.

(ii) Verify that budgeted other uses have not increased or decreased by more than **40 percent** from the budgets other uses.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

- 2(e) Analyze the General Fund for changes in the budget and three prior fiscal years in ADA; Operating Revenue and Expenditures; Surplus/(Deficit); Ending Fund Balance; and Reserve.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

PHASE 3

GENERAL FUND (GF) & ADULT EDUCATION FUND(AF) REVENUES AND EXPENDITURES

(Identify notes/comments by referencing to (the General Fund “GF” or Adult Education Fund “AF”))

Federal Revenue

1. Verify that GF and AF budgeted revenues are reasonable based on the assumptions, (including COLA, deficit factor – if applicable, and ADA factors) & when compared to prior years (i.e., estimated actuals & historic unaudited actual data).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

2. Verify that categorical program carryovers are reasonable (refer to **SACS Form CAT**).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

Other State & Local Revenues

3. Using the **SACS Form SEA**, identify & validate **Special Education** revenues budgeted in **SACS Form 01 objects 8311, 8181, & 8182**.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

4. Verify that estimated actual K-3 **Class Size Reduction (CSR)** revenues are reasonable based on what the district's actuals.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

5. Verify that GF and AF budgeted revenues in **all accounts** are reasonable based on assumptions (including zero COLA and ADA) & when compared to prior years (i.e., estimated actuals & the historic unaudited actual data).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

6. Verify that budgeted K-3 **CSR** revenues are reasonable based on the current funding estimates per enrollment (\$906/opt 1 & \$453/opt 2) & the capacity to operate in the budget year.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

7. Verify that **Mandated Cost** revenues are reasonable (based on assumptions of actual expenses filed & expected reimbursement; or as compared to prior years).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

8. Identify **Lottery** amounts projected per ADA. Is the figure reasonable compared to the County Office's current estimate per ADA and is the allocation between unrestricted & restricted reasonable (\$114/\$11).

NOTE: Lottery projections typically change in early July - after the 3rd quarter. Be sure you have the most current County estimate for both the budget & estimated unaudited actuals).

Budget Review Checklist #3

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

9. Identify that interest is projected at approximately the pool rate of 5.6% & that cash balances used in calculating the estimates are reasonable.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Other Financing Sources & One Time Revenues

10. Validate any new **Tax and Revenue Anticipation Notes (TRANs)** issuance & confirm that the costs & repayment schedules are accounted for as well as any arbitrage earnings being reasonable. (If the district had a TRANs in the prior year, determine if they used the cash, or only earn arbitrage).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

11. Validate all **Certificates of Participation (COPs)** payments are accounted for. Also, validate any new COPs issuance & confirm if the costs & repayment schedules were approved by the County & that the district is not relying on proceeds for operating capital.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

12. Are any significant **one-time revenues** budgeted for **any account** & are they reasonable (based on assumptions & compared with prior years, i.e., estimated actuals & the historic unaudited actual data)?

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Budget Review Checklist #3

13. Evaluate any Other Financing Sources and ensure that other sources of funds are duly authorized and reflected in the budget.

NOTE: The Adult Education Fund should have no Interfund Transfers-In, except for Lottery transfer from the General Fund.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Certificated & Classified Salaries and Employee Benefits

14. Review the salary and benefit costs associated with staffing changes & class size adjustments.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

15. Compare budgeted expenditures for salaries and employee benefits to prior year's and test for reasonableness and impact on district solvency.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Employee Benefits

16. Validate the rates used in projecting benefits for STRS, PERS, Social Security, Medicare, UI, & Workers' Comp.

Notes/Comments: _____

Work Paper Reference _____
Consultant Initial _____

Budget Review Checklist #3

17. Validate the assumptions used regarding the component costs of the health & welfare benefit packages, identifying self-funded portions, & validating any applicable caps. Based on all of the above & compared to prior years, are budgeted benefit expenditures reasonable? **Verify that adequate reserves have been established for self-funded health and welfare and Workers' Compensation benefit plans as required in the most recent actuarial studies. Confirm that supporting Actuarial Studies are current.**

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Retirement Packages or Offerings

18. Determine whether the district has taken new actions (i.e., Golden Handshake, etc.) that would significantly impact the budget review or assumptions above.

Notes/Comments: _____

Work Paper Reference _____

Other Significant Expenditures (Object Accounts 4000 - 7000)

19. Validate any significant changes in on-going expenditures, e.g., energy related costs. Validate any significant one-time expenditures, (e.g., one-time cap. outlay, or facilities improvements).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

20. Confirm that all major obligations including COPs, lease-purchases, etc., are accounted for in the budget at the proper amounts. Trace & verify Other Financing Uses.

NOTE: The Adult Education Fund should have no Interfund Transfers-Out.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Ending Balance Review

21. Verify that the estimated actual beginning balance matches the CDE's/SMART Access (RPT-UA-1) Ending Fund Balance Report for the prior year. Confirm that the estimated ending balance equals the budgeted beginning balance. Validate any material changes in the component amounts as compared to the prior year (i.e., revolving cash, stores, etc.).

Budget Review Checklist #3

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

22. Verify that the Reserve for Economic Uncertainties meets the required level & that there are no negative designated/ undesignated/unappropriated amounts. Confirm that fund balances are positive and at appropriate levels.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

23. Verify that descriptions have been included for any designated amounts in Accounts 9720-9789. Review the Net Increase (Decrease) in Fund Balance for reasonableness. Analyze deficit financing (total revenues vs. total expenditures incl. transfers out & other uses).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

24. Confirm that the district's budget reflects a positive ending cash balance for 2002-03. Verify that funding sources are identified and borrowing arrangements made to cover any cash shortfalls at the beginning of the year.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

25. Confirm that categorical program funding deferred from 2002-03 to 2003-04 have been appropriated and reflected in the budget.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Work Paper Reference _____

Budget Review Checklist #3

PHASE 4

NOTES

- I. The budget review process continues on the next several pages and addresses the budgets for all other funds that the district/agency may operate. The reviewer must assure that each budget is reasonable and acceptable.
- II. There have been occasions where a fund, other than the General Fund, was in serious financial condition and caused a district's budget to be disapproved.**
- III. The reviewer should use the matrix that follows to review the budgets of all other funds. It provides a series of check items, response boxes, and comment space for all current "SACS Reports." Cells that appear with shaded background indicate that a check item does not apply to a particular fund. For any "SACS Report" that a district/agency does not have, simply mark "N/A" in the first box and line out that section. Then proceed to the next fund.
- IV. COMMENTS (Forms 09 – 97) Identify comments by fund number and review item number.

[illegible]

Budget Review Checklist #3

4. YOU ARE NOW READY TO CONTINUE REVIEWING OTHER FUNDS BUDGET DATA

SACS Forms 09, 12, 13, 14, 15, 17, 18

District Name:	SACS Form 13 Cafe. Fund	SACS Form 12 Child Dev. Fund	SACS Form 14 Def. Maint Fund	SACS Form 15 Pupil Trans Fund	SACS Form 17 Special Reserve Fund (Non- Cap)	SACS Form 18 School Bus Emissions Reduction Fund	SACS Form 09 Charter Schools Fund
1. District has fund?							
2. Are budgeted revenues reasonable based on assumptions & when compared to prior years?							
3. Are budgeted expenditures reasonable based on assumptions & when compared to prior years?							
4. Validate significant one-time expenses, & revenues, e.g., capital outlay or facility improvements.							
5. Validate that all major obligations, i.e., COPs, lease-purchases, etc. are included in budget & at proper amounts.							
6. Trace & verify Other Financing Sources/Uses.							
7. Are budgeted revenues & expenditures reasonable based on the above validations & when compared to prior years?							
8. Validate that the estimated actual beginning balance matches the CDE's or SMART RPT-UA-1 Ending Fund Balance Report for the prior year.							

Budget Review Checklist #3

9. Confirm that the estimated actual ending balances equal the SACS budgeted beginning balances.							
10. Validate material changes in the fund balance components compared to the prior year.							
11. Are descriptions included for any designated amounts in accts. 9720-9789 or SACS 9780 ?							
12. Review net increase (decrease) in fund balance for reasonableness.							
13. Analyze deficit financing (total revenues less total expenditures, transfers out, & other uses).							
14. Are the Criteria & Standards satisfactory?							
15. If the multiyear commitments analysis is completed, what is the long-term debt commitment (indicate in comments below)?							
16. Is there a revenue stream to meet any long-term debt commitment?							

Additional Notes and Comments

Budget Review Checklist #3

SACS Forms 21, 25, 30, 40, 35, 61, 63

District Name:	SACS Form 21 Build- ing Fund	SACS Form 25 Cap. Fac. Fund	SACS Form 30 State School Building Lease Purchase Fund	SACS Form 40 Special Reserve. Fund (Cap. Projects)	SACS Form 35 County School Facilities Fund	SACS Form 61 Cafe. Fund/ Account	SACS Form 63 Enter- prise Fund
1. District has fund?							
2. Are budgeted revenues reasonable based on assumptions & when compared to prior years?							
3. Are budgeted expenditures reasonable based on assumptions & when compared to prior years?							
4. Validate significant one-time expenses and revenues, e.g., capital outlay or facility improvements.							
5. Validate that all major obligations, i.e., COPs, lease-purchases, etc. are included in budget & at proper amounts.							
6. Trace & verify Other Financing Sources/Uses.							
7. Are budgeted revenues and expenditures reasonable based on the above validations & when compared to prior years?							
8. Validate that the estimated actual beginning balance matches the CDE's or SMART RPT-UA-1 Ending Fund Balance Report for the prior year.							
9. Confirm that the estimated actual ending balances equal the SACS budgeted beginning balances.							

Budget Review Checklist #3

10. Validate material changes in the fund balance component compared to the prior year.							
11. Are descriptions included for any designated amounts in accts. 9720-9789 or SACS 9780 ?							
12. Review net increase (decrease) in fund balance for reasonableness.							
13. Analyze deficit financing (total revenues less total expenditures, transfers out, & other uses).							
14. Are the Criteria & Standards satisfactory?							
15. If the multiyear commitments analysis is completed, what is the long-term debt commitment (indicate in comments below)?							
16. Is there a revenue stream to meet any long-term debt commitment?							

Additional Notes and Comments

Budget Review Checklist #3

SACS Forms 66, 67, 71, 72, 73

District Name:	SACS Form 67 Self Insur- ance Fund	SACS Form 66 Ware- house Revolv- ing Fund	SACS Form 72 Article XIII-B Fund	SACS Form 73 Founda- tion Fund	SACS Form 71 Retiree Benefits Fund	SACS Form 19 Founda- tion Special Reserve Fund	SACS Form 57 Founda- tion Perma- nent Fund
1. District has fund?							
2. Are budgeted revenues reasonable based on assumptions & when compared to prior years?							
3. Are budgeted expenditures reasonable based on assumptions & when compared to prior years?							
4. Validate significant one-time expenses and revenues, e.g., capital outlay or facility improvements.							
5. Validate that all major obligations, i.e., COPs, lease-purchases, etc. are included in budget & at proper amounts.							
6. Trace & verify Other Financing Sources/Uses.							
7. Are budgeted revenues and expenditures reasonable based on the above validations & when compared to prior years?							
8. Validate that the estimated actual beginning balance matches the CDE's or SMART RPT-UA-1 Ending Fund Balance Report for the prior year.						N/A new fund	N/A new fund
9. Confirm that the estimated actual ending balances equal the SACS budgeted beginning balances.						N/A new fund	N/A new fund
10. Validate material changes in the fund balance component compared to the prior year.						N/A new fund	N/A new fund

Budget Review Checklist #3

11. Are descriptions included for any designated amounts in accts. 9720-9789 or SACS 9780 ?							
12. Review net increase (decrease) in fund balance for reasonableness.							
13. Analyze deficit financing (total revenues less total expenditures, transfers out, & other uses).							
14. Are the Criteria & Standards satisfactory?							
15. If the multiyear commitments analysis is completed, what is the long-term debt commitment (indicate in comments below)?							
16. Is there a revenue stream to meet any long-term debt commitment?							

Additional Notes and Comments

Budget Review Checklist #3

SACS Forms 51, 53, 56

District Name:	SACS Form 51 Bond Interest & Redemp-tion Fund	SACS Form 53 Tax Override Fund	SACS Form 56 Debt Service Fund
1. District has fund? (Check lists.)			
2. Are budgeted revenues reasonable based on assumptions & compared with prior years?			
3. Check Bonded Indebtedness against BAS figures for reasonableness. (Districts will typically use prior year as the estimate & must file a budget revision for the new BAS figures prior to Budget.)			
4. Check voted Indebtedness against BAS figures for reasonableness. (Districts will typically use prior year as the estimate & must file a budget revision for the new BAS figures prior to Budget.)			
5. Trace & verify Other Financing Sources/Uses.			
6. Review net increase (decrease) in fund balance for reasonableness.			
7. Has the SACS Form 51A been filled-out correctly?			
8. Has the SACS Form 53A been filled-out correctly?			

SACS Forms 76, 95, 96, 97, CEB

Additional Notes and Comments

Budget Review Checklist #3

District Name:	SACS Form 76 Warrant/ Pass-Thru Agency Fund (Optional)	SACS Form 95 ASB Agency Fund (Optional)	SACS Form 96 General Fixed Assets Acct. Group (Optional)	SACS Form 97 General Long- Term Debt	SACS Form CEB General Fund Current Expense Formula (Optional)
1. District has completed?					
2. Validate proper completion by the district.					
3. Is the district in a penalty situation?					
4. Has the SACS Forms 76A & 95A been filled-out correctly?					
5. Has the SACS Form 96A been filled-out correctly?					
6. Has the SACS Form 97A been filled-out correctly?					

Additional Notes and Comments

OTHER ITEMS

- Validate that the SACS Forms SIAB/SIAA show that all Ins and Outs balance between all funds.

Budget Approval Letter

Dear Mr. XX:

In accordance with Education Code Section 42127, we have examined the adopted budget of XXX Unified School District for fiscal year 2003-04, to determine whether it complies with the standards and criteria established pursuant to Education Code Section 33127.

On the basis of our review and analysis, we are satisfied that the district's budget for fiscal year 2003-04 is consistent with the state-adopted criteria and standards. We hereby approve the district's budget with the following concerns.

Deficit Spending

The district is projected to incur operating deficits in the current year and two subsequent years. These operating deficits mainly result from spending down of the carryover reserves from prior years. It is our understanding that the district will analyze program needs and make additional budget cuts to avoid deficit spending in 2004-05. Although the district is able to maintain the minimum required reserve, the operating deficit cannot be eliminated in the immediate future and the fund balance is declining. It is important that the district continues to closely monitor revenues and expenditures to ensure that it is able to meet its financial obligations and the minimum reserve level required by the state.

Salary and Benefit Negotiations

The salary and benefit negotiations have not been settled for the current fiscal year and no salary schedule increase is included in the current year budget. Upon settlement, please provide us a copy of the Public Disclosure of Collective Bargaining Agreement. We would like to remind the district of the requirements of Government Code Section 3547.5 and Assembly Bill (AB) 1200 on public disclosure of collective bargaining

agreement. At least six working days prior to the date the District Governing Board will take action on the proposed bargaining agreement, please provide us with an analysis of the cost of the settlement and its impact on the operating budget.

Other Funds

The Cafeteria Fund, Deferred Maintenance Fund and Self-Insurance Fund incur deficit spending in 2002-03 and 2003-04. We are concerned that if these funds cannot be self-supporting, subsidies from the General Fund will be needed. The district needs to continue to monitor the budgets of these funds carefully to avoid encroachments from the General Fund.

Budget Approval Letter

Conclusion

We urge the districts to carefully monitor their budgets and to be conservative in their projections. Given California's economic and political conditions, we anticipate less funding for school districts in the future years. In addition, the probability of another round of mid-year budget cuts at the state level cannot be totally disregarded. It is important to continue to be well-informed of events and other developments affecting school districts and to be prepared to take appropriate actions to lessen the impact on your district.

As a reminder, Education Code Section 42127(i)(4) requires the district to review, and if necessary, revise its budget within 45 days of the Governor signing the annual Budget Act. Any revisions in revenues and expenditures must be made available for public review.

We appreciate the cooperation and assistance provided by the district staff during the review process. If you have any questions or concerns regarding our review process, please contact me at (XXX-XXXX).

Sincerely,

Superintendent
Superintendent of Schools

Budget Disapproval Letter

Dear Mr. XX:

In accordance with Education Code Section 42127, we have examined the adopted budget of Sample Joint Unified School District for fiscal year 2003-04, to determine whether it complies with the standards and criteria established pursuant to Education Code Section 33127.

The District's budget indicates that the District will not be able to meet its financial obligations, including the minimum required reserve, in the current year and subsequent two years. The district has initiated corrective actions to implement \$4.5 million in spending reductions in the past two years, and planned to make an additional \$3.7 million in budget reductions in the current year. However, the multiyear projections submitted show that the district will not be able to restore its fiscal health in the immediate future. Because of this fiscal development, we are very concerned about the solvency of the District and its ability to meet its multiyear financial commitments.

On the basis of our review and analysis, we have concluded that the District's June 24, 2003 budget for fiscal year 2003-04 is not consistent with the state-adopted criteria and standards. We hereby disapprove the District's budget.

Basis for Determination of Disapproved Budget

Below Minimum Reserve for Economic Uncertainties

The District's budget was submitted with a General Fund ending balance of \$264K, of which \$17K is designated for economic uncertainties. The unrestricted reserve, therefore, is approximately \$2.6 million short of the 3% minimum recommended by the State.

Deficit

Spending

Despite substantial spending reductions incorporated in the budget, the District will be deficit spending for fiscal year 2003-04. This operating deficit results mainly from the large encroachments on unrestricted funds by the restricted programs.

Special Education Encroachment

The Special Education encroachment increased \$1 million in the prior fiscal year. The District has hired a specialist to review the Special Education program and make recommendations on expenditure reductions. We are concerned that the budget may not accurately reflect the Special Education encroachment, and any negative adjustments to this program will have an adverse fiscal impact on the District.

Budget Disapproval Letter

Average Daily Attendance (ADA)

The District's projected ADA may be overestimated in the budget. In response to our budget review letter, the District reevaluated the ADA projection and felt that it is appropriate to be more conservative in the enrollment projection. Based on the revised ADA projection, the General Fund may end with a negative balance in the current fiscal year.

Salaries and Benefits

Salary and benefit negotiations have not been settled for certificated and classified employees. Because of the District's financial position, we are concerned that the District will not be able to sustain any salary increase unless further substantial adjustments in the budget are made.

Multiyear Projections (MYP)

The multiyear projections submitted indicate that the District will not be able to meet the 3% minimum required reserve for two subsequent years. The reserve for economic uncertainties will continue to fall short of the minimum requirement by approximately \$1.6 million in 2004-05 and \$1.4 million in 2005-06. The District must continue to take corrective actions to restore the fiscal health of the District.

The District has projected COLA increases for revenue but has not estimated any COLA increase for salaries and related benefits for two subsequent fiscal years. Since salaries and benefits are a major component of the District's budget, any COLA increase in salaries will have a significant financial impact on the District and further adjustments will be needed to balance the budgets in future years.

Other Funds

We are concerned about the following funds that may have an impact on the financial position of the District:

- The Cafeteria Fund is projected to incur deficit spending and the fund balance declines substantially in 2003-04. The Self-Insurance fund balance also has declined significantly since 2001-02. We are concerned that if these funds cannot be self-supporting, subsidies from the General Fund will be needed.

Budget Disapproval Letter

- The revenues and expenditures for Building Fund, Capital Facilities Fund, County School Service Fund and Foundation Trust Funds are currently under review by the District and some of the budget data is not included in the 2003-04 budget. In addition, the District was not able to provide updated salary projections on the Deferred Maintenance Fund and Capital Facilities Fund because some of the part-time classified salaries are shown as full-time due to a conversion error in the computer system. In its reply to our review letter, the District advises that the budget information for these funds will be submitted with the revised budget. In order to evaluate the overall fiscal health of the District, it is important that the budget information be complete to reflect the true financial position of the individual fund.

Other Concerns

The reduction of District level administrative and support staff continues to be a concern. We understand the Board's commitment to cut as far from the classroom as possible. However, we are very concerned that the District does not have sufficient administrative and support staff to ensure the development of its fiscal recovery plan and that budget reductions are fully implemented and closely monitored.

Next Steps

What follows is a description of the next steps to be taken.

1. The District must revise and readopt its budget by September 8, 2003, addressing our concerns and incorporating the latest information from the Governor's signed budget and reflecting the necessary changes in projected revenues and expenditures. In addition, the District must provide the County Superintendent's Office with a multiyear projection for 2004-05 and 2005-06 demonstrating the District's ability to meet its financial obligations and the state-required minimum reserve levels.
2. The County Superintendent's office will reevaluate the revised budget and determine whether that budget will be approved or disapproved.
3. Until the District's budget is approved, the District will use the proposed budget for the 2003-04 fiscal year as a working budget.

Conclusion

It is imperative that the district continues to carefully monitor and evaluate its revenues and expenditures to attain full recovery. It is likewise crucial for the governing board to follow through on the district's plans and commitments to fully implement the proposed budget reductions to ensure the fiscal solvency of the district.

We understand that the District has a Board meeting scheduled for August 19, 2003 to adopt additional reductions. We appreciate the fact that the District continues to attempt to address its fiscal condition.

Budget Disapproval Letter

However, unless the District is able to demonstrate that they have addressed all our concerns, we will invoke the provisions of Education Code Section 42127.6 and will appoint a fiscal advisor to provide management assistance and fiscal crisis intervention to the District.

The County's District Business and Advisory Services department will continue to work collaboratively with the District staff to facilitate the budget development process and continue our cooperative relationship with the District. If you have any questions or concerns regarding our review process, please contact me at (XXX-XXXX).

Sincerely,

Superintendent
Superintendent of Schools

Budget Review Scenarios

The following scenarios and discussions illustrate how some counties have handled the review of budgets and interim reports in various situations.

Scenario	Discussion
<i>Budget Review:</i>	
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget year, but does not have any additional unappropriated fund balance. The district hasn't settled negotiations or included any funds for salary increases in the adopted budget. What if the district settles in September for an amount that reduces the designation for economic uncertainty to 50% of the required amount? 	<ul style="list-style-type: none"> Budget is approved with comment that the district will need to make budget cuts for the amount of any salary settlement. District must include step and column, but isn't required to budget for salary increases until they settle. Inform the district that they need to make cuts by first interim.
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget year, but does not have any additional unappropriated fund balance. The district hasn't settled negotiations, but has included a small amount for salary increases. You don't consider the amount included for salary increases reasonable, e.g., state COLA is 3.5% and the district has included 0.5% for salary increases. 	<ul style="list-style-type: none"> Budget is approved with comment that if the district settles for more than the amount included in the budget, the district will need to make cuts. As long as district meets designation and hasn't settled, the budget is approved.
<ul style="list-style-type: none"> The district meets standards for approving the budget, but has a significant operating deficit in the unrestricted general fund. The district has a small amount of unappropriated fund balance that will cover a reasonable salary increase in the budget year, e.g., state COLA is 3.5% and 3% is available to cover salary increases. In the MYP, the district has included projected COLAs in the revenues, but no funds for step and column or salary increases. 	<ul style="list-style-type: none"> Approved with comment about deficit spending. The county needs to evaluate the operating deficit to determine if it appears that it will continue in the future. If the district is able to meet the required reserve for the budget and two subsequent years, county would approve with "cautionary" language in the letter about deficit spending. Budget is disapproved if the district does not include step and column in the multi-year projection and adding these amounts reduced the designation below the required amount. One county said they would approve the budget if there were a reasonable explanation of how the district would fund the COLA, e.g., through retirement savings or planned vacancies.

Budget Review Scenarios

Scenario	Discussion
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years. In the budget assumptions and power point presentation given to the district board at the time of budget adoption, the district states that they have set aside a reserve amount to fund a 2% salary COLA. The district has a designated component of fund balance in the budget year to cover the first year cost of the COLA, however, the COLA is not included in the MYP future years as either salary or as a designated fund balance and the district has no unappropriated fund balance in the subsequent years 	<ul style="list-style-type: none"> Budget is approved. County office would include language in the approval letter stating that there were not adequate funds set aside to fund the COLA in future years or the county would require the district to readopt the MYP and include the COLA. Once the district gives a raise, they are notified they will need to make cuts.
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years. The district revenues are increasing due to projected 10% ADA growth, however, the salaries and mandatory benefits in the budget year and MYP include only step and column increases but no increases for growth positions. 	<ul style="list-style-type: none"> District was required to go back to board and readopt an amended budget. If the district hadn't done this, the county would have disapproved the budget.
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years. In reviewing the MYP it is noted that the 4XXX object codes drop significantly from the budget year to the subsequent years. When asked for an explanation for the significant change the district responds that it has "stashed" a significant dollar amount in the 4XXX object of the budget for future salary COLA increases. When excluding the amount disclosed as "stashed" COLA, the remaining 4XXX amount appears reasonable based upon historical expenditures and known changes. What if anything do you do? 	<ul style="list-style-type: none"> Budget was approved. County documented the problem in their files.
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years. In reviewing the reasonableness of the budget year salaries, it is determined that the salaries are understated by 10% (\$8 million). How would you deal with this situation, would it make a difference if the district had adequate unappropriated fund balance in the budget and future years to cover the error in the salary budget? 	<ul style="list-style-type: none"> District was required to go back to the board and readopt an amended budget. If the district hadn't done this, the county would have disapproved the budget.

Budget Review Scenarios

Scenario	Discussion
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years. The district had step and column and projected COLA (unnegotiated) increases in salaries, however, they did not include increases in mandatory benefits related to the COLA increase. How would you deal with this situation, would it make a difference if the district had adequate unappropriated fund balance in the budget and future years to cover the error in the mandatory benefit budget? 	<ul style="list-style-type: none"> Yes, county would approve budget but put language in the approval letter that the benefits were under budgeted
<ul style="list-style-type: none"> The district meets the required designation for economic uncertainty in the budget and subsequent years; however, in reviewing the expenditures and related assumptions you note that they have included a 3% reduction in salaries due to essential elimination of extra time and overtime. In discussion with the district, they state that the sites have gotten out of control in these areas because there is not an adequate system to prevent it and they are telling the sites to stop, however, there has been no change in the system to prevent it. Without the 3% cut, the district would not meet the required reserve for economic uncertainty. 	<ul style="list-style-type: none"> County only accepted one-third of the reduction in overtime. District was required to go back to the board and readopt an amended budget. If the district hadn't done this, the county would have disapproved the budget.
<i>First and Second Interim Reports:</i>	
<ul style="list-style-type: none"> Are there any circumstances under which you would allow the district a positive certification if the fund balance is below the required designation for economic uncertainty? 	<ul style="list-style-type: none"> Several counties said no. Several counties said yes, if the district made the cuts by the next reporting period and had a detailed recovery plan. District must convince the county that they will follow through.
<ul style="list-style-type: none"> Would you approve a positive certification if the MYP has included projected COLAs in the revenues, but no step and column or salary increases? 	<ul style="list-style-type: none"> Districts must include step and column in the MYP, but they are not required to budget anything for salaries unless they have settled. Approval letter should point out that COLA was included in the revenues, but not in salaries.
<ul style="list-style-type: none"> Would you approve a positive certification if the projected salary increases in the MYP are 50% or less of the projected COLA and there is no additional unappropriated fund balance for a larger raise? 	<ul style="list-style-type: none"> Yes

The Unaudited Actuals

I. OVERVIEW

Background Information

- A. Each school district is required to prepare year-end financial statements on forms that are prescribed by the State Superintendent of Public Instruction (SPI).
 - 1. The forms prescribed by the SPI are the “Unaudited Actuals.”
 - 2. With the implementation of the standardized account code structure (SACS), the “Unaudited Actuals” are extracted by state software directly from the district’s general ledger.
- B. The “Unaudited Actuals” are periodically enhanced to allow the California Department of Education (CDE) to obtain more financial information.

For example, for the 2001-2002 fiscal year, the CDE provided an additional software module to assist in the preparation of the entries required to convert the fund financial statements to the district-wide financial statements to comply with GASB 34.

- C. The “Unaudited Actuals” are used as the basis for the financial statements prepared as a part of the district’s annual audit report; these forms are the trial balance used to prepare the district’s audited financial statements.

II. COUNTY OFFICE RESPONSIBILITIES

A. Responsibilities of the County

- 1. Education Code Section 42100 requires the county superintendent to verify the mathematical accuracy of the “Unaudited Actuals” and submit the forms to the SPI.
- 2. In the early 2000s, school districts converted to the SACS. This allowed the districts to use the software provided by the CDE to extract the financial data directly from their financial software into the forms for the “Unaudited Actuals.”
 - a. This automated process and the technical checks built into the CDE software eliminated the mathematical errors that were common when the forms were prepared manually.
 - b. This automation has eliminated the county’s need to verify the mathematical accuracy.

* Minor revisions 2/2015 in keeping with implementation of the Local Control Funding Formula

The Unaudited Actuals

3. AB 1200 created new responsibilities for county offices of education. AB 1200 requires the county to periodically monitor the financial position of the districts in the county.
 - a. This requirement also creates the need for counties to review the “Unaudited Actuals” to determine that the district’s financial position has not deteriorated since the new year’s budget was approved.
 - b. If the “Unaudited Actuals” show deterioration in the district’s financial position that adversely impacts the budget that was approved, the county may need to take action before the first interim reporting period.
4. AB 1994 added the requirement for charter school financial reporting effective for fiscal year 2003-04 and beyond. Charter schools may choose to submit their financial data either in the SACS format or in the alternative form prescribed in regulations. Each charter school is required to submit their financial data to their authorizing LEA on or before September 15. The reports are then reviewed for mathematical accuracy by the COE and then submitted to the California Department of Education.

B. Calendar

Month	Activity
October	<ul style="list-style-type: none">On or before October 15, the county superintendent must verify the mathematical accuracy of the “Unaudited Actuals” and transmit a copy of the reports to the SPI. Effective with submittal of 2005-06 data, the CDE will accept submissions solely through eTransfer.

III. DETAILED PROCEDURES

- A. County offices of education will exercise their authority to monitor the solvency of the districts in the county in different ways.
- B. The review of the “Unaudited Actuals” is not an audit. The review should focus on:
 1. Ensuring that the ending fund balance in all funds has not deteriorated from the beginning fund balance that was used in the review of the adopted budget.
 2. Determining if there are any significant changes between the unaudited actuals and the projected unaudited actuals (on which the review of the budget was based). This may indicate a problem in the adopted budget.

The Unaudited Actuals

3. Determining if any action is needed before the first interim reporting period, including those specified under Education Code 42127.6 where fiscal health is identified to be at risk (i.e., in those instances where the fund balance of one or more funds has deteriorated significantly or the unaudited actuals indicate problems in the adopted budget).
 4. Ensuring that the county has data that it can upload to the CDE.
- C. Included in this section are three sample forms (checklists) that county offices of education use to review the unaudited actuals.

IV. LEGAL CITATIONS

Education Code

- Section 42100

Attachments referenced in this section are contained in the electronic version of this manual, which may be viewed and downloaded at www.fcmat.org.

Unaudited Actuals Checklist #1

Name of the District:

	Initials	Date	Comments
Reviewer			
Date Review Began			
Date Review Completed			
Correspondence:			
Letter to district with technical corrections.			
Approval letter sent to the district.			
Items to Complete Review:			
Unaudited Actuals and Diskette			
Prior Year Unaudited Actuals			
Prior Year Audit Report			
June 30 Cash Reconciliation			
Local Control Funding Formula prepared by county office			
Online P-2 and Annual Attendance Reports			
Online Property Tax Report - Annual			
Budget for the current fiscal year			
Form CA			
Verify that the form contains original signature.			
Verify that the date of the board meeting is after the date printed on the submitted forms.			
TRC - Technical Review Checklist			
Re-extract the TRC and compare to printed copy.			
Determine that there are no Fatal (F) exceptions.			
Determine that all (W) and (WC) exceptions are adequately explained.			

Unaudited Actuals Checklist

#1

Form Number	Compare hard copy report to diskette. (1)	Confirm the posting of all audit adjustments.	Check for negative fund balance or negative unappropriated fund balance.	Compare the unaudited ending fund balance to the beginning fund balance in the adopted budget to determine that any changes in ending fund balance do not adversely impact the adopted budget.	Determine that reserves are established for Stores, Prepaids, and Inventory accounts.	Compare account 9110 to the 6/30 cash reconciliation.	Scan the revenue and expenditure accounts to determine that they are reasonable. Compare the amounts to the budget in the new year to determine if there are any amounts that do not appear reasonable based on this comparison.
01							
09							
11							
12							
13							
14							
15							
17							
18							
19							
21							
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40							
51							
53							
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57							
61							
63							
66							
67							
71							
72							
73							
76				N/A			N/A

How to Use This Form:

Put a check mark in each box confirming that you have performed the step.

Unaudited Actuals Checklist

#1

The easiest way to use the form is to eliminate all lines (form numbers) that you won't need prior to starting your review.

Notes:

(1) This step is only performed if the review is done from the hard copy reports submitted by the district.

If the review is done from reports printed from the diskette, this step is N/A.

Unaudited Actuals Checklist

#1

Complete		Comments
	Schedule for Categoricals Subject to Deferred Revenue (State and Federal)	
	Compare the grants on the schedule to the grants on the schedule from the prior year to determine that all grants are included on the schedule.	
	Determine that any new state grants are included on the schedule.	
	Determine that the prior year carryover (line 1) agrees to the carryover on line 15 from the prior year's schedule.	
	Determine that the deferred revenue on line 5 agrees to the deferred revenue on line 13(a) of the prior year's schedule.	
	Determine that the schedule has been correctly prepared.	
	Determine that the total of line 13(a) agrees to the deferred revenue reported in account 9650 of the restricted general fund. Note: some of the deferred revenue may also be included in other funds.	
	Schedule for Categoricals Subject to Restricted Ending Balance (State and Federal)	
	Compare the grants on the schedule to the grants on the schedule from the prior year to determine that all grants are included on the schedule.	
	Determine that any new state grants are included on the schedule.	
	Compare the prior year's restricted ending balance (line 13) agrees to line 1 on the current year's schedule.	
	Determine that the schedule has been correctly prepared.	
	Determine that the total of the restricted ending balance on the schedule agrees to the ending fund balance in the restricted general fund (unless some of the grants are accounted for in other funds).	

Unaudited Actuals Checklist #2

County Office of Education Business & Advisory Services Unaudited Actuals Review Fiscal Year 2002-03

District: xxx Unified School District CDS Code: 00-00000 Reviewed By: _____

SUMMARY OF REVIEW AND RECOMMENDATIONS	COMMENTS - NOTES
Unaudited actuals verified.	
Returned to district for corrections.	
Ready for submission to CDE.	
Technical Review Checks	
Completed and exceptions annotated.	
Verify accuracy and appropriateness of explanations.	
Form SIAA - Summary of Interfund Activities	
Do all Transfers In equal Transfers Out?	
Verify appropriateness of interfund transfers.	
Form A - Average Daily Attendance	
P-2 column compared to J-18/19.	
Annual column compared to J-18/19 (if available) or reasonable.	
Form 51 - Bond Interest and Redemption Fund	
Obtain and insert Form 51 and Form 51A (marked BAS) into binder.	
Ensure that districts have printed copies.	
Enter data onto district disk or imported file.	
Rerun Technical Review Checks and put printed copy (marked BAS) into binder.	
Add updated 51, 51A, TC and TR files to district disk or imported file	
prior to exporting to CDE.	

Unaudited Actuals Checklist #2

Form ASSET - Schedule of Capital Assets	
Compare to latest audit report.	
Verify the reasonableness of the "Increases" column with the 6000 accounts	
for all appropriate funds.	
Determine the reasonableness of the "Accumulated Depreciation" section and	
"Decreases" column.	
Form DEBT - Schedule of Long-Term Liabilities	
Compare to latest audit report and multi-year commitments on C&S.	
Determine reasonableness of the "Increases", "Decreases" and	
"Amounts Due Within One Year" columns.	
Verify that long-term debt of all funds is included.	
Form CSR - Class Size Reduction, Grade 9 (Resource 1200)	
Compare revenue to the CSR revenue entered on the Form 01R.	
Form CEA - Current Expense Formula / Minimum Classroom Compensation	
Verify that percentage meets requirement of Ed Code.	
Compare percentage to prior year for reasonableness.	

Unaudited Actuals Checklist #2

Form CAT - Categorical Programs Subject to Deferred Revenues / Restricted Ending Balances	
If district is not using state software, determine if the schedule has been correctly prepared.	
<u>Form CAT Grants</u>	
Compare line 5 to audited PY deferred revenue for each program.	
Compare total of line 13a for all programs to object 9650 (Def Rev) in Form 01.	
Compare line 16 for all programs in each revenue object to Form 01R revenues.	
<u>Form CAT Entitlements</u>	
Compare line 1 to audited PY restricted balance for each program.	
Compare line 9 for all programs in each revenue object to Form 01R revenues.	
Determine that total of line 13 for all programs is included in the Form 01	
legally restricted balances in the fund balance.	
<u>State Mega-Item Programs</u>	
Determine that line 2b adjustments net to zero for all grants and entitlements.	
Determine that the Mega-Item block grant is 100% allocated to state programs.	
Form ICR, PCR, PCRAF (Indirect Costs)	
Determine that total expenditures and other uses in Form 01 equal	
General Fund expenditures in col. 6, Form PCR.	
Compare indirect cost rate to prior year for reasonableness.	
Form TRAN (Transportation)	
Verify that the Home to School Transportation revenue in Form 01 is less than	
the approved transportation expense shown in Form TRAN in Line K.	
Verify that the Special Education Transportation revenue in Form 01 is less	
than the approved transportation expense shown in Form TRAN in Line K.	

Unaudited Actuals Checklist #2

Form ROP - Regional Occupational Program	
Verify that the transfer out from the General Fund to the ROP equals ROP revenue and the amount recorded as a transfer in by the ROP (for JPAs only).	
Verify that ending balance and capital outlay and equipment replacement reserve meet requirement of Ed Code 52321.	
Charter School Financial Reporting Status Form	
Verify that the form is completed.	
Determine that the reporting status indicated in the form agrees with SACS financial information.	
NOTES AND COMMENTS:	

Unaudited Actuals Checklist

#2

Unaudited Actuals Review , Fiscal Year 2002-03

District:

CDS Code:

Reviewed By:

Date:

Description	General Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maint. Fund	Pupil Trans. Equip. Fund	Spec. Rsv-Other than Cap.	Building Fund	Capital Facilities Fund	State Sch Bldg Lease Purch	Spec. Rsv-Capital Outlay	Spec. Rsv-Capital Outlay	Bond Interest & Redemption	Tax Override Fund	Debt Service Fund	Foundation Fund	Enterprise Fund	Self-Insurance Fund	Retiree Benefit Fund	Article XIII-B Fund	Student Body Fund
Form Number	1	9	11	12	13	14	15	17	21	25	30	35	40	51	53	56	57	61	67	71	72	95
Compare hard copy of reports to diskette.																						
Compare amounts to district financial statements																						
Verify proper posting of beginning balances and all audit adjustments.																						
Check for negative fund balance or negative unappropriated fund balance.																						
Determine any adverse impact of the unaudited actuals ending fund balance on the adopted budget.																						
Determine reasonableness of the components of ending fund balance.																						
Compare account 9110 to the 6/30 cash reconciliation and note any negative cash balance																						
Determine reasonableness of revenue and expenditure accounts in the current year budget based on comparison with unaudited actuals.																						
Check findings and actions pending from review of budget , prior year actuals and interim reports.																						
Comments																						

Unaudited Actuals Checklist #3

DIVISION OF BUSINESS ADVISORY SERVICES Financial Management Services Solvency Evaluation Work Program

20XX-20XX UNAUDITED ACTUAL REVIEW Executive Summary and Approvals

DISTRICT NAME:

BAS REVIEW RESULTS:☐ **Approved**☐ **Letter Completed****Evaluation Summary**

Review and Certification
Consultant

Signature

Date

Concurrent Review
Financial Advisory Services Officer

Signature

Date

Review and Approval
Assistant Director, Financial Management Services

Signature

Date

Approval (if letter is required)
Director, Division of Business Advisory Services

Signature

Date

Unaudited Actuals Checklist

#3

20XX-20XX UNAUDITED ACTUAL WORK PROGRAM FOR REVIEWING THE SACS REPORT SERIES

DISTRICT NAME: _____ District CDS No. _____

LEA Contact Person: _____ Telephone No. _____

CHECK-IN PROCESS

The log-in process begins in September. The following individuals will be responsible for doing initial check-ins:

Person Completing Check-in: _____

1. Date Unaudited Actual received _____

RECEIVED

2. Validate each of the following items:

- | | | |
|--|------------------------------|-----------------------------|
| a. Two hardcopies received | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| b. One disk received with all of the following listed on it: | | |
| • full district name - <u>not</u> initials for district's name - spell out | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • the report title, i.e., SACS 2002-03 Unaudited Actuals. | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • the district's CDS code _____ | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • date disk was received should be stamped | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • if any of above information is not on the disk, add as needed | <input type="checkbox"/> YES | <input type="checkbox"/> NO |

3. Disk Check:

- | | | |
|---|------------------------------|-----------------------------|
| • Scan and stamp the disk for viruses, stamp and check off: | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • Verify official export | <input type="checkbox"/> YES | <input type="checkbox"/> NO |

4. Verify for proper original signature, date received, and contact person listed on **SACS Form CA**

☐ YES ☐ NO

A. The unaudited actuals with original signature from the clerk/secretary of the district's Board with adoption date, is then:

- | | | |
|---|------------------------------|-----------------------------|
| • date stamped | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • numbered the same as its jacket | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • logged in on the master record | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • stamped "UNAUDITED ACTUALS and either "COPY" or "ORIGINAL" as appropriate | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • Checked to see that "used/not used" is marked for all proper funds on SACS TC (See BLUE Notebook fund lists) | <input type="checkbox"/> YES | <input type="checkbox"/> NO |
| • Checked for complete contents as shown on SACS TC
<i>(Corrections must be marked in red on the budget jacket sheet.)</i> | <input type="checkbox"/> YES | <input type="checkbox"/> NO |

Unaudited Actuals Checklist #3

- Validate that the following forms were received:

- o Form SIAA _____
- o Form CEA _____
- o Form CAT _____

- **Call immediately on any missing forms. Note in red on the jacket.**

- List all missing forms for any appropriate funds not received: _____

- **Date missing items are received, (note on the jacket)** _____

- Technical Review Checklist (TRC) is received and complete. ☐ YES ☐ NO

- B. All funds are checked for **negative beginning/ending balance**. ☐ YES ☐ NO
(Validate against the TRC comments.) List any funds with negative balances and report immediately to Chris and to the consultant for discussion with District/LEA.

Negative Funds:

- C. Validate that the disk & hardcopy agree. Numbers, totals, etc., must match. ☐ YES ☐ NO

- D. TRAN Report Review (Given to Diya) ☐ YES ☐ NO

- E. Check-in person calls district for any missing documents:

- Date(s) called _____
- District contact person _____
- Items Requested _____

District's/LEA's Response: _____

Date check-in completed _____

Accounting/Operational Technician initial _____

Place this form, with the unaudited actuals and give to the consultant assigned to the district.

Unaudited Actuals Checklist

#3

UNAUDITED ACTUAL REVIEW

All unaudited actual reviews are to be completed no later than **October 15, 2003**. Discuss problems/concerns with district business officials. It is important to DISCUSS POTENTIAL MAJOR PROBLEMS WITH EMMANUEL AND CHRIS PRIOR TO CALLING THE DISTRICT.

BAS Staff Completing the Budget Review: _____

PHASE 1

Perform the following tests:

1. Review the results of the initial check-in. ☐ YES
2. Call the district if any items are still missing & verify that they are coming in ASAP. ☐ YES
(NOTE: The responsibility of getting missing documents or information ultimately rests with the consultant.)
3. Confirm if there are any negative balances. If so, notify Emmanuel & Chris immediately. ☐ YES
4. Review cover letters and/or narratives ☐ YES
5. Review the **Technical Review Checklist** for exceptions ☐ YES

NOTES

- I When SFS staffer begins review, they will call BAS so you are both working on same district.
- II Any corrections made by the Consultant should be **noted in red** on the unaudited actuals and on the jacket, and may require consultation with SFS. The district staff authorizing the changes must be noted along with the date and time of authorization. **A revised disk request must be coordinated with SFS for unaudited actuals as they only want one revised disk.**
- III **If a correction will result in a change to the fund balance, the district's governing board should be notified.**
- IV If you have any concerns about the information submitted by the district, request additional information from the district in sufficient time to meet the review deadline.

PHASE 2

FISCAL SOLVENCY/CREITERIA AND STANDARDS REVIEW

1. Verify each item on the Technical Review Checklist for accuracy and reasonableness. Verify that the official export file does not reflect fatal errors and that warnings are reasonably explained. Comment on necessary actions as appropriate.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Unaudited Actuals Checklist #3

2. Verify that the various SACS Form, including CA, SIAA, A, RL, L, CFA, CAT, PCRAF, PCR, ICR, DEBT, ASSET, TRAN, DAY, CSR, ROP and CORR have been completed as applicable and are technically correct. Comment on any missing and incomplete reports.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

3. If the District has a charter school(s) did it submit the unaudited actuals for the charter school on a separate fund and was this information submitted in the electronic format required by the CDE? (yes/no) _____

- 3a For districts with charter schools that are locally funded, verify that the sum of object codes 8015 plus 8480 equal object code 7299 in the district's General Fund.

Object 8015	Object 8480	Sum 8015 & 8480		Object 7299
			=	

- 3b For the District's charter school(s), compare the amount in object code 7280 against the amount reported in the In Lieu of Property Tax Summary (provided by Marlene). Any shortage in object code 7280 as compared to the amount reported in the In Lieu of Property Tax Summary represents a district liability to the charter school(s).

_____ Object 7280 — In lieu Property Tax = (Shortage)/Excess
_____ =

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Unaudited Actuals Checklist #3

4. Verify that the 2002-03 beginning balances for all funds are the same as the 2001-02 unaudited actuals ending balance reported to the CDE (see attached UA-1 Report).

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

5. For all funds compare 2002-03 unaudited ending balances to estimated 2003-04 beginning fund balances. Note and comment on significant differences. Refer to the SMART UA-1 Report.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

6. Test and verify that available reserves are not less than the required percentages as applied to total expenditures, transfers out and other uses, except as provided for in Education Code Section 33128 and include exceptions in the unaudited actuals letter. Note any negative impacts of excessive contributions to restricted programs, unsettled collective bargaining negotiations, adjustments for overstated ADA, and deficit spending on the Districts REU. If the District is the Special Education Administrative Unit for its SELPA, remember to factor the pass-thru funds into your calculation. If the REU is below what is required for this District, note in unaudited actual letter. Confirm that the District's revenue allocations from its SELPA (as applicable) is accurately reflected in the unaudited actuals.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

7. Review Fund Balances. Verify that for each fund the ending 2002-03 fund balance was positive. Analyze and note the status of other funds that have negative fund balances at the end of the fiscal year. Verify and confirm that all inter-fund borrowing was repaid with the required time frame per EC Section 42603. Not impact of any understatement or outstanding repayments on the unrestricted General Fund Ending Balance and Reserves.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Unaudited Actuals Checklist #3

8. Verify that the general long-term debt balance as of July 1 reported on the Form DEBT agrees with the general long-term balance as of June 30, 2002. Note any discrepancies.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

9. Review the net increase/(decrease) in each fund balance for reasonableness as compared to estimates submitted with the 2003-04 budget. Analyze and determine the cause of major differences.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

10. Review the District's 2001-02 Annual Audit for outstanding solvency-related findings concerns. Note any audit comments about reserve levels. Verify and confirm that audit adjustments noted in 2001-02 annual audit report were made and are reflected in 2002-03 unaudited actuals. Note any concerns in the Unaudited Actuals letter.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

11. Verify that the District's SACS Form 51 (Bond Interest and Redemption Fund) ties to the form prepared by the County Auditor/Controller. If there is a difference, ask the District to submit a corrected copy.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

Unaudited Actuals Checklist #3

12. Verify that no entries have been made on improperly designated lines in the SACS Report or improperly added lines. Comment on any discrepancies.

Notes/Comments: _____

Work Paper Reference _____

Consultant Initial _____

PHASE 3

IF CORRECTIONS ARE NEEDED FROM THE DISTRICT

13. SFS will coordinate with consultants and one call will be made to the district. SFS fills out the correction form.

Notes/Comments: _____

Consultant Initial _____

14. SFS will send the form to the district and a copy to BAS--putting copy in jacket.

Notes/Comments: _____

Consultant Initial _____

15. SFS will check the response (both on paper and on the disk) when it comes back from the district to make sure it is correct, virus free, **and will then run a new TRC**. SFS will date stamp disk, mark it "Revised" x-out the old disk and validate the Name, CDS Code & title "2002-03 Unaudited Actuals" is on the disk.

Notes/Comments: _____

Consultant Initial _____

Unaudited Actuals Checklist #3

16. Receive “original” Unaudited Actuals, and certified disk back from SFS with SFS certification.

Notes/Comments: _____

Consultant Initial _____

17. Transfer any notes from BAS copy of the Unaudited Actuals to the SFS original.

Notes/Comments: _____

Consultant Initial _____

18. Once the consultant is sure everything is correct, the consultant runs a final TRC, consolidates exported files on a disk, and gives everything back to _____.

Notes/Comments: _____

Consultant Initial _____

Unaudited Actuals Checklist #3

PHASE 4

PREPARATION FOR SENDING DATA TO CDE

19. Richard/Anna prepares documents and disks for the CDE and pulls original certifications.

Notes/Comments: _____

Initial _____

20. Richard/Anna mails to CDE and makes copies for SFS.

Notes/Comments: _____

Initial _____

Interim Report Review

I. OVERVIEW

- A. Education Code Section 42130 requires each school district to submit two interim financial reports to the governing board:
 - 1. First Interim Report – For the period ending October 31.
 - 2. Second Interim Report – For the period ending January 31.
- B. The interim reports are prepared on state-approved forms.
- C. The governing board of each school district is required to:
 - 1. Approve the reports no later than 45 days after the close of the period being reported.
 - 2. Certify in writing within 45 days after the close of the period being reported, whether or not the district is able to meet its financial obligations for the remainder of the fiscal year and, for the subsequent fiscal years.
 - 3. There are three possible certifications:
 - a. Positive – The district will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 - b. Qualified – The district may not be able to meet its financial obligations for the current fiscal year or subsequent two years.
 - c. Negative – The district will be unable to meet its financial obligations for the remainder of the year or the subsequent fiscal year.
 - 4. File a copy of the certification page and the interim report with the county superintendent of schools.

II. COUNTY OFFICE RESPONSIBILITIES

A. Responsibilities of the County

- 1. Education Code Section 42131 requires the county to obtain a copy of the interim report and the certification for each district.
 - a. If the county office of education receives a positive certification when a qualified or negative should have been filed, the county is authorized to change the certification to qualified or negative.

* Minor revisions to sample forms 2/2015 in keeping with implementation of the Local Control Funding Formula

Interim Report Review

- b. If the county office changes the certification, the county office must notify the district governing board and the Superintendent of Public Instruction (SPI) no later than 75 days after the period being reported.
 - c. The county office of education is required to send copies of the certifications and reports in which the governing board is unable to certify unqualifiedly (positive certification) that the financial obligations will be met to the Controller and the SPI with a completed transmittal form provided by the SPI.
 2. Education Code Section 42131 requires the county superintendent to report to the Controller and the SPI whether each district under their jurisdiction has provided the required certification and the type of certification for each district.
 - a. The form for reporting to the Controller and the SPI is at: www.cde.ca.gov/fg/fi/ir/documents/noticEOFintermcert.doc
 - b. The county superintendent is also required to submit their comments on those certifications, and report any action proposed or taken to the Controller and the SPI within 75 days after the close of the reporting period.
 3. Education Code Section 42131 provides for an appeal process if the district does not agree with the change in the certification.
 - a. The governing board must submit the appeal to the SPI regarding the validity of the change no later than 5 days after the school district receives the notice from the county superintendent of the change in the certification.
 - b. The SPI must determine the certification that will be assigned to the district no later than 10 days after receiving the appeal. The SPI must then notify the district governing board and the county superintendent.
 4. Education Code Section 42127.6 provides authority to the county superintendent if at any time they determine that a district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification pursuant to Section 42131.
 - a. The county superintendent must notify the governing board of the school district and the SPI in writing of that determination and the basis for the determination.
 - b. The county superintendent will report to the SPI on the financial condition of the school district and their proposed remedial actions.
 - c. The county superintendent will do at least one of the following and all actions that are necessary to ensure that the district meets its financial obligations:

Interim Report Review

- i. Assigning a fiscal expert, paid for by the county superintendent, to advise the district on its financial problems.
 - ii. Conducting a study of the financial and budgetary conditions of the district.
 - iii. Directing the district to submit a financial projection of all fund and cash balances of the district as of June 30 for the current and subsequent fiscal years.
 - iv. Requiring the district to encumber all contracts and other obligations, to prepare appropriate cash-flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.
 - v. Directing the district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the district may not be able to meet its financial obligations.
 - vi. Withholding the compensation of the members of the governing board and the district superintendent for failure to provide the requested financial information. The district may appeal this action to the SPI.
 - vii. The county superintendent of schools must have any contracts entered into pursuant to this subdivision of the Education Code approved by the SPI.
- d. Within 5 days of the county superintendent making the determination to take any of these actions, the school district may appeal to the SPI. The SPI has 10 days to sustain or deny the appeal.
5. If after taking the actions identified in item 4 of this procedure, the county superintendent determines that a district will be unable to meet its financial obligations, they will notify the school district governing board and the SPI in writing of that determination and the basis for the determination.
 - a. The notification will include the assumptions used in making the determination and the county superintendent will provide the notification to the superintendent of the school district and parent and teacher organizations of the district.
 - Within 5 days of the county superintendent making this determination, a school district may appeal the determination to the SPI. The SPI will sustain or deny the appeal within 10 days.
 - b. If the appeal is denied or not filed, or if the district has a negative certification, the county superintendent, in consultation with the SPI, will take at least one of the following actions:

Interim Report Review

- i. Develop and impose a budget revision that will enable the district to meet its financial obligations in the current fiscal year. The county must also consult with the district governing board.
 - ii. Stay or rescind any action that is determined to be inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal year.
 - iii. Assist in developing, in consultation with the district governing board, a financial plan that will enable the district to meet its future obligations.
 - iv. Assist in developing, in consultation with the district governing board, a budget for the subsequent fiscal year.
 - v. Appoint a fiscal advisor.
- c. The school district is required to pay 75% and the county office of education 25% of the expenses incurred in improving the district's financial management practices.
6. Education Code Section 42131 requires each school district filing a qualified or negative certification for the second interim period to provide financial statement projections of the district's fund and cash balances through June 30. This report is for the period ending April 30 and is due to the county superintendent, the SPI and the Office of the State Controller by June 1.
7. For districts with qualified or negative certifications, the county must also approve the issuance of any non-voter-approved debt (e.g., certificates of participation, capital leases, tax and revenue anticipation notes). The county superintendent must determine that the repayment is probable.
8. Education Code Section 1240 requires the county superintendent to annually present a report, on or before August 15th, to the governing board and the SPI regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined at any time to be in a position of fiscal uncertainty.
 - a. This is often referred to as the AB 139 letter.
 - b. The Education Code does not specify the information the county superintendent should include.
 - c. A sample AB 139 letter is included at the end of this section.
9. Education Code Section 42128:

Interim Report Review

- a. The county superintendent shall not make any apportionment of state or county money if the governing board of any school district neglects or refuses to make a school district budget, or neglects to file interim reports.
- b. The county superintendent shall notify the appropriate county official that they shall not approve any warrants issued by the school district.

B. Calendar

Month	Activity
December	<ul style="list-style-type: none">• School districts provide first interim reports to the county after they are approved by the governing board (45 days after the close of the period being reported).
January	<ul style="list-style-type: none">• No later than 75 days after October 31, the county office will provide notice of any change in certification to the district governing board and the SPI.• No later than 75 days after October 31, the county superintendent of schools must report to the Controller and the SPI whether each district under their jurisdiction has provided the required certification and the type of certification for each district.
March	<ul style="list-style-type: none">• School districts provide second interim reports to the county after they are approved by the governing board (45 days after the close of the period being reported).
April	<ul style="list-style-type: none">• No later than 75 days after January 31, the county office will provide notice of any change in certification to the district governing board and the SPI.• No later than 75 days after January 31, the county superintendent of schools must report to the Controller and the SPI whether each district under their jurisdiction has provided the required certification and the type of certification for each district.
June	<ul style="list-style-type: none">• No later than June 1, each school district with a qualified or negative certification for the second interim report must provide financial statement projections of the district's fund and cash balances through June 30 for the period ending April 30 to the county superintendent, the Controller, and the SPI.
August	<ul style="list-style-type: none">• County superintendent must present a report, on or before August 15th, to the school district board and the SPI regarding the fiscal solvency of any district with a disapproved budget, qualified or negative interim certification, or that has been determined to be in a position of fiscal uncertainty.
Annually	<ul style="list-style-type: none">• For districts with qualified or negative certifications, the county must also approve the issuance of any non-voter-approved debt. The county superintendent must determine that repayment is probable.

Interim Report Review

III. DETAILED PROCEDURES

- A. County offices of education exercise their authority to monitor the solvency of the districts in the county in different ways.
- B. The review of the interim reports is not an audit. The review should focus on:
 - 1. Determining that the information is reasonable.
 - 2. Determining that the financial position has not deteriorated since the adopted budget or first interim reporting period.
 - 3. Determining that the financial position has improved for districts with qualified or negative certifications at the first interim reporting period.
 - 4. Determining that the current operating budget is sustainable through the end of the year.
- C. County offices of education may require districts to submit additional materials that the county determines they need to perform the interim reviews.
 - 1. For example, some counties require the districts to complete a form documenting the assumptions used in completing the interim reports and the multi-year projections.
 - 2. This section includes sample formats from counties that require their districts to complete documenting the district's assumptions.
- D. At the end of this section are checklists used by some counties to perform their interim report reviews.

IV. LEGAL CITATIONS

Education Code

- Section 1240
- Section 42127.6
- Sections 42130 - 42134

Attachments referenced in this section are contained in the electronic version of this manual, which may be viewed and downloaded at www.fcmat.org.

AB139 Letter Sample

July 23, 2003

Ms. XX, President
Board of Education
Sample Unified School District
904 First Avenue
City, CA 94000

Dear President XX:

Pursuant to the provisions of Education Code (EC) Section 1240(e) (effective January 1, 2002), the Sample County Superintendent of Schools (County Superintendent) is required to present an annual report to a school district's governing board and the Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, a qualified or negative interim certification, or one that has been determined at any time during the year to be in a position of fiscal uncertainty pursuant to EC Section 42127.6. The following annual report on the fiscal solvency of the XXX Unified School District (AUSD) for fiscal year 2002-03 is generated as a result of the district's 2002-03 qualified first through third interim report certifications.

Fiscal Solvency Summary

For fiscal year 2001-02, the district submitted a qualified first interim report. After review and analysis of the financial condition of the district, the Sample County Office of Education (COE) changed the qualified status of the First Interim Report to a negative certification, indicating that the district would be unable to meet its financial obligations for the current year and subsequent two fiscal years. The reasons for the change in the certification were communicated to the district in our letter dated January 15, 2002. Due to the seriousness of the district's financial position, the County Superintendent appointed Mr. XXX as the fiscal advisor to the district. Subsequently, the district self-certified their Second and Third Interim Reports as qualified on March 12, 2002 and May 28, 2002 respectively. COE concurred with the district's qualified certifications.

The district self-certified the 2002-03 first, second and third interim financial reports as qualified, indicating that the district may not be able to meet its financial obligations for the current year and subsequent two fiscal years. COE concurred with the district's qualified certifications. As shown below, the district is deficit spending and is unable to meet the minimum reserve required by the state for all three interim reporting periods.

AB139 Letter Sample

2002-03 General Fund Summary

	Adopted Budget	1 st Interim	2 nd Interim	3 rd Interim
Total Revenues	22,493,665	22,464,930	22,388,443	22,372,290
Total Expenditures	22,033,501	22,520,202	22,398,892	22,278,122
Other Sources/(Uses)	0	0	(111,340)	(111,340)
Surplus/(Deficit)	460,164	(55,272)	(121,789)	(17,172)
Fund Balance/(Deficit)	*967,198	249,274	325,574	**364,423
REU – 3% min.	661,005	675,606	675,307	671,684
Actual REU	661,005	239,274	304,412	354,423
REU %	3.00%	1.06%	1.35%	1.58%

* The fund balance reflects the adjusted fund balance based on the audit report.

** The fund balance reflects the June 30, 2002 audit adjustments of (\$85,216).

Deficit Spending

The district projected an operating deficit for all three 2002-03 interim financial reporting periods. Based on our review of the data submitted and confirmed by the district, the deficits were primarily due to increased expenditures in salaries and benefits. The district must continue to carefully monitor the revenues and expenditures to ensure the long-term fiscal health of the district.

Reserve for Economic Uncertainties/Substantial Budget Reductions

The required minimum Reserve for Economic Uncertainties (REU) for a district of your size is three percent. The district projected the REU to be below the state's recommended minimum reserve level on all three 2002-03 interim financial reports. However, in the subsequent two fiscal years, the district is projected to meet the minimum reserve requirement with the substantial budget reductions incorporated in the 2003-04 budget. It is critical that the district board follows through on the planned reductions and ensures that these are fully implemented. Otherwise, the financial condition of the district will be severely impacted.

AB139 Letter Sample

2001-02 Audit Findings

The June 30, 2002 audit report showed the following audit findings that needed to be addressed.

Inventory of Equipment

The district equipment listing is not up to date. This will have an impact on the implementation of GASB 34, which should be implemented in fiscal year 2002-03. According to the district, a new financial system will be used starting July 1, 2003, which will improve equipment management. However, a fixed asset appraisal has not yet been contracted. We are concerned that the district may not be able to comply with GASB 34 requirements, which would result in an adverse opinion on the district's audit report.

Deferred Maintenance Fund

There were expenditures charged to this fund that were not on the five-year deferred maintenance plan. As a result, the general fund had to absorb the unauthorized expenditures of approximately \$30K. The district will need to review and verify that all future expenditures meet the requirements of this fund in the future.

Instructional Minutes

There is an audit finding of approximately \$11,000 as a result of noncompliance with the instructional minute requirement. The district's response indicated they had submitted a waiver to the California Department of Education on April 4, 2003 and the waiver was granted on June 12th. It is necessary for the district to take steps to remedy the situation and increase minutes for subsequent years to avoid the fiscal penalties.

Labor Contract Negotiations

The salary and benefit negotiations have not been settled for the classified employee collective bargaining units in the prior and current years. With the present financial condition, the district will not be able to sustain any salary increases without further budget adjustments.

We remind the district of the requirements of Government Code Section 3547.5 and Assembly Bill (AB) 1200 for public disclosure of collective bargaining agreements. Prior to the date the district board will take action on the proposed bargaining agreement, they must provide the county office with an analysis of the cost of the settlement and its impact on the operating budget.

AB139 Letter Sample

Debt Issuance

We would also like to remind the district of the statutory requirements for debt issuance to school districts with qualified or negative interim report certifications.

According to EC Section 42133(a), a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district unless the County Superintendent of Schools determines the district's repayment of that indebtedness is probable.

Cafeteria Fund

The Cafeteria Fund has incurred negative fund balances in recent years and had projected a negative ending balance during the adoption of the current year's budget. Although the estimated actual expenditures reported have projected a positive ending balance due to a transfer of \$112,000 from the General Fund, it is important that the district closely monitor the financial activities of this fund to eliminate the deficit and restore the fund to a self-supporting status.

	2001-02 Unaudited Actuals	2002-03 Adopted Budget	2002-03 2 nd Interim Report	2002-03 Estimated Actuals
Total Revenues	615,081	632,397	676,223	596,105
Total Expenditures	669,487	623,013	705,425	636,872
Other Sources/(Uses)	0	0	111,340	112,905
Surplus/(Deficit)	(54,406)	(9,384)	82,138	72,138
Ending Balance	(60,138)	*(50,754)	**25,380	15,380

* The fund balance reflects the adjusted fund balance based on the audit report.

** The fund balance reflects the June 30, 2002 audit adjustments of \$3,380.

Child Development Fund

The Child Development Fund is projected to have a negative ending balance of \$71,000. We expect the district to bring revenues and expenditures into balance, and repay the deficit in the budget year. The district must closely monitor this fund to ensure that it will not incur deficits and will not necessitate a transfer from General Fund in the future.

AB139 Letter Sample

	2002-03 Adopted Budget	2002-03 Estimated Actuals
Total Revenues	1,772,694	1,754,822
Total Expenditures	1,814,432	1,891,906
Other Sources/(Uses)	0	0
Surplus/(Deficit)	(41,738)	(137,084)
Ending Balance	*23,917	(71,428)

* The fund balance reflects the adjusted fund balance based on the audit report.

Conclusion

While we have noted the various areas of concern, there has been significant progress in the district's financial condition. The fiscal advisor has successfully established position control procedures for the district, and both the Superintendent and Assistant Superintendent of Business positions have been filled. With new governance and Mr. X continuing his role as fiscal advisor, we are optimistic that the district will be able to regain its fiscal health in the near future.

The district continues to face enormous fiscal challenges. The multi-billion dollar shortfall in the state's budget will have an adverse impact on the funding for all school districts. It is critical that the district fully implements the planned reductions and closely monitors its budget. Given the uncertain economic environment, it is important that the district stays well informed and prepared to counter adversities affecting school districts.

We hope that these comments will be helpful to the district's administration and board as you begin the next fiscal year. We would like to express our gratitude to the Superintendent and district staff for their cooperation and assistance during our financial reviews in 2002-03.

If our office can be of further assistance, please call me at (XXX) XXX-XXXX.

Sincerely,

Superintendent
Sample County Office of Education

District Budget Assumptions #1 Sample

Sample County Office of Education

Budget Assumptions – Interim Reports

GENERAL FUND REVENUES

Federal Revenues

- Explain any significant difference from the budget or first interim.

Lottery Revenues

- Identify projected lottery amounts per ADA.

Categorical Program Revenues

- Explain any significant difference from the Budget or First Interim.

New tax and revenue anticipation notes (TRANS)

- For any new TRANS, identify the issue amount, costs, repayment schedule, and arbitrage.

Other significant changes in revenues

- Explain any significant changes in other local revenues such as leases, rentals, etc.

District Budget Assumptions #1 Sample

One-time Revenues

- Explain any significant changes from the budget or first interim in one-time revenues.

GENERAL FUND EXPENDITURES

Certificated and classified salaries

- Describe the current status of negotiations with the collective bargaining groups.

- Identify unsettled salary increases included in the interim report, if any.

- Identify assumptions used regarding the costs of step and column increases, attrition, and finalized collective bargaining agreements.

- Describe the costs associated with other staffing changes and class size adjustments.

Employee benefits

- Identify the rates used in projecting benefits for STRS, PERS, Social Security, Medicare, Unemployment Insurance, and Workers' Compensation.

- Identify unsettled increases in benefits included in the interim report, if any.

District Budget Assumptions #1 Sample

-
-
-
- Identify assumptions used regarding the component costs of the health and welfare benefit packages, identifying self-funded portions and explaining any applicable caps.
-
-
-

Retirement packages

- Briefly summarize district policy, the number of retirees covered, the costs of the current benefits, the assumptions used to project, and the object and fund in which these costs are recorded.
-
-
-
- Identify the costs associated with a golden handshake or other retirement package, including multi-year costs.
-
-
-

Other significant expenditures (Objects 4000 through 7000)

- Explain any significant changes from the budget or first interim in one-time expenses, such as spending a sizeable carryover, one-time capital outlay, or facilities improvements.
-
-
-
- Describe all major obligations including COPs, lease-purchases, and bond repayments.
-
-
-
- Identify amounts due in the budget year and the basic terms of the obligations.
-
-
-
- Explain the purpose of any major transfers between funds.
-
-
-

District Budget Assumptions #1 Sample

Components of ending fund balance

- Explain any material changes from the budget or first interim in the component amounts.

-
-
-
-
- Explain the designated components of the ending fund balances.

Net change in fund balance – General Fund

- Explain any significant budgeted unrestricted deficits. Description should detail the causes and explain whether the deficits are ongoing or one-time. If ongoing, an explanation should be provided on how and when the deficits will be eliminated.

District Budget Assumptions #1 Sample

Reserve for Economic Uncertainties

- If the district is reflecting a reserve lower than the percentage of reserve for economic uncertainties as adopted by the State Board of Education on May 1, 2003, outline the district's reserve restoration plan. Description should detail the specific revenue and/or expenditures impacted to restore the district to the appropriate level by fiscal year 2005-06.

OTHER FUNDS

Significant changes in revenues, expenditures, or transfers

- Explain any material differences in the other funds from the budget or first interim report in revenues, expenditures, or transfers.

District Budget Assumptions #2 Sample

2003-04 First Interim Budget Assumptions

District _____

The undersigned, hereby certify that the Board of Education of the _____ School District, at its meeting on _____ has reviewed and approved the Budget Assumptions Worksheets that are included as part of the Interim Financial Report, and upon which the District's multiyear financial projections are based.

Signed: _____

President, Board of Education

Date: _____

Signed: _____

District Superintendent

Date: _____

20

District

REVENUES:

ADA Used for:

ADA Increase (Decrease) over Adopted Budget:

COLA:

% Increase (Decrease) over Adopted Budget:

One time \$ included in:

Plus(Minus) Other \$ changes, please describe:

State Revenue:

COLA % Used for:

One time \$ included in:

Plus(Minus) Other \$ changes, please describe:

District Budget Assumptions #2 Sample

[illegible]

P-007 • Interim Report Review • 1/2009

Object 3XXX:

% Increase(Decrease) over Adopted Budget:

Flat \$ Increase(Decrease) included in:

One time \$ included in:

Please describe reason(s) for changes:

Object 5XXX:

% Increase(Decrease) over Adopted Budget:
Flat \$ Increase(Decrease) included in:
One time \$ included in:
Please describe reason(s) for changes:

Projected (Unrestricted Only)
2004-05

	%
\$	
\$	

	%
\$	
\$	

	%
\$	
\$	

	%
\$	
\$	

District Budget Assumptions #2 Sample

Object 6XXX:

% Increase(Decrease) over Adopted Budget:

Flat \$ Increase(Decrease) included in:

One time \$ included in:

Please describe reason(s) for changes:

	First Interim (Unrestricted Only)	2003-04	Projected (Unrestricted Only)	2004-05
Operating Expenses	1,000	1,000	1,000	1,000
Capital Expenses	1,000	1,000	1,000	1,000
Debt Service	1,000	1,000	1,000	1,000
Reserve for Contingencies	1,000	1,000	1,000	1,000
Other Expenses	1,000	1,000	1,000	1,000
Total Expenses	5,000	5,000	5,000	5,000
Revenue	5,000	5,000	5,000	5,000
Surplus/Deficit	0	0	0	0

	<u> %</u>	<u> %</u>
--	------------------------------	------------------------------

[illegible]

_____ \$ _____ \$

[illegible]

EXPENSES Cont.:

Object 7XXX:

% Increase(Decrease) over Adopted Budget:

Flat \$ Increase(Decrease) included in:

One time \$ included in:

Please describe reason(s) for changes:

%	
<hr/>	
<hr/>	
%	
<hr/>	
<hr/>	

\$

\$

Please attach additional sheets as necessary.

P-007 • Interim Report Review • 1/2009

District

REVENUES:

% Increase (Decrease) over Adopted Budget:

Plus(Minus) Other \$ changes, please describe:

Plus(Minus) Other \$ changes, please describe:

26

Local Revenue:

% Incr.(Decr.) applied over Adopted Budget:

One time \$ included in:

Plus(Minus) Other \$ changes, please describe:

Object 1XXX:

Step & Column included in:

COLA included in:

Other:

Growth Positions:

One time \$ included in:

Plus(Minus) Other \$ changes, please describe:

P-007 • Interim Report Review • 1/2009

P-007 • Interim Report Review • 1/2009

27

28

Object 3XXX:

% Increase(Decrease) over Adopted Budget:

Flat \$ Increase(Decrease) included in:

One time \$ included in:

Please describe reason(s) for changes:

EXPENSES Cont.:

% Increase(Decrease) over Adopted Budget:

Flat \$ Increase(Decrease) included in:

One time \$ included in:

Please describe reason(s) for changes:

P-007 • Interim Report Review • 1/2009

% Increase(Decrease) over Adopted Budget:
Flat \$ Increase(Decrease) included in:
One time \$ included in:
Please describe reason(s) for changes:

Please attach additional sheets as necessary.

District Budget Assumptions #2 Sample

2003-04 First Interim Budget Assumptions

District _____

Please fill out the form completely. Where ever the form asks for % and \$, or # and \$, please provide both. Please describe all "other changes". The documented assumptions in the prior period on the SACS MYP form. Thorough completion of the form will significantly reduce our need to contact you regarding questions, which could require further doc

	First Interim 2003-04	Projected 2004-05	
	Restricted	Unrestricted	R€
ENDING FUND BALANCE	\$ _____	\$ _____	\$ _____
COMPONENTS OF ENDING FUND BALANCE			
Reserved Amounts			
Revolving Cash	\$ _____	\$ _____	\$ _____
Stores	\$ _____	\$ _____	\$ _____
Prepaid Expenditures	\$ _____	\$ _____	\$ _____
General Reserve (EC 42124)	\$ _____	\$ _____	\$ _____
Legally Restricted Balances	\$ _____	\$ _____	\$ _____
Designated Amounts	\$ _____	\$ _____	\$ _____
Designated for Economic Uncertainties	\$ _____	\$ _____	\$ _____
Other Designations	\$ _____	\$ _____	\$ _____
Undesignated/Unappropriated	\$ _____	\$ _____	\$ _____
Special Reserve Fund - Non/Capital Outlay (17)			
Designated for Economic Uncertainties		\$ _____	\$ _____
Undesignated/Unappropriated		\$ _____	\$ _____
Total Special Reserve Fund		\$ _____	\$ _____

Please attach additional sheets as necessary.

Prepared By: _____

Chief Business Official Signature: _____

Interim Report Review Checklist #1

Name of the District:		
First Period - Through October 31		
Second Period - Through January 31		
Third Period - Through April 30		
	Initials	Date
Reviewer		
Date Review Began		
Date Review Completed		
Correspondence:		
Letter to district with technical corrections.		
Approval letter sent to the district. Certification is P, Q, or N.		
Letter to district changing certification.		
Items to Complete Review:		
Current year budget.		
Prior year audit report.		
General ledger reports (through 10/31 or 1/31) - all funds		
Narrative from district of changes since adopted budget.		
Print out of all other funds on the state forms.		
Required reports:		
Disk of state reports and MYP		
Form C - Certification		
Form 01 - Unrestricted, restricted, summary		
Form A - Average Daily Attendance		
CASH - Cashflow		
01 CS - Criteria and Standards - First Tier Review		
01 CS - Criteria and Standards - In Depth (if required)		
MYP - Multiyear projection		
Technical Review Checks		
Complete financial statement for any funds projected to be negative for the current year (this is required in C&S).		
Narrative including the revised or new budget assumptions.		
Form C (District Certification)		
Verify that the form contains original signatures.		
Verify that the date of the board meeting is after the date printed on the submitted forms.		
TRC - Technical Review Checklist		
Determine that there are no Fatal (F) exceptions.		
Determine that all (W) and (WC) exceptions are adequately explained.		
Preliminary		
The reviewer must review the prior year's audit report and the county office files for the adopted budget and first interim report review (for second interim) to determine if there are any pending issues that may impact this review.		

Interim Report Review Checklist #1

Complete		Comments
	Form 01 CSI - Criteria and Standards	
	Review the criteria and standards to determine that they have been completely filled out and any required explanations are reasonable.	
	If a second tier review is required, determine that the review has been completed and that all information is correct and all explanations are reasonable.	
	Form 01 - Unrestricted General Fund	
	For first interim - review the audit report for the year just ended to determine if there are any findings that could have a significant financial impact on the district.	
	For first interim - review the Excess of Expenditures Over Appropriations footnote in the audit report. This footnote provides information on the district's budgetary controls. Significant excesses of expenditures may indicate a control weakness that could negatively impact the district's financial solvency.	
	Column A - Verify that it agrees to Form 01 - Adopted Budget.	
	Column B - Review any significant changes from the Adopted Budget. The district should provide an explanation of all significant changes in the narrative.	
	Columns B & D - Determine that the beginning balance agrees to the prior year's unaudited ending balance. Determine that the audit adjustments have been posted by the second interim reporting period.	
	Columns B & D - Determine that the change in the Local Control Funding Formula is consistent with the change in ADA.	
	Column E - Determine that the significant changes are adequately explained in the narrative.	
	Column D - Review the general ledger report and determine that the projected year totals are consistent with the amounts reported as of the reporting period date. Determine that the actual expenditures to date plus encumbrances do not exceed the amounts reported in column D.	
	Form 01 - Restricted General Fund	
	Column A - Verify that it agrees to Form 01 - Adopted Budget.	
	Columns B & D - Determine that the beginning balance agrees to the prior year's unaudited ending balance. Determine that the audit adjustments have been posted by the second interim reporting period.	
	Column E - Determine that the significant changes are adequately explained in the narrative.	

Interim Report Review Checklist #1

	Form A - Average Daily Attendance	
	If the district is declining enrollment, determine that the Estimated P-2 Report ADA column agrees to the prior year's P-2 ADA.	
	Determine that column A agrees to the ADA reported in the adopted budget.	
	If column B is different from column A, determine that the district has adequately explained the difference (in the narrative).	
	Determine that the differences in column D are adequately explained (in the narrative).	
	Cashflow Worksheet	
	Determine that the beginning cash balance as of July 1 agrees to the cash balance per the audit report.	
	Determine that the beginning cash balance as of October 31 (1st interim) and January 31 (second interim) agrees to the general ledger and the cash reconciliation.	
	Determine that the "Total" column agrees to column D on the Summary - Form 01.	
	Determine that the total prior year transactions agree to the prior year's accounts receivable and payable.	
	Review the transactions posted by month for the remainder of the year to determine that they are reasonable.	
	Determine that the ending cash balance is positive for the remainder of the fiscal year.	
	Determine the nature of any transactions recorded as "Other Receipts/non-Revenue or Other Disbursements/Non Expenditures."	
	Multiyear Projection	
	Determine that the base year used in the multiyear projection agrees to the projected year totals on the Form 01 for both the unrestricted and the restricted.	
	Determine whether the assumptions used in the subsequent two years are reasonable. For example, does the COLA agree to the latest dashboard. The district should provide a narrative documenting any significant reductions in expenditures or increases in revenue above the anticipated COLA.	
	Determine that the district meets the required designation for economic uncertainty in each year.	

Interim Report Review Checklist #1

	Review of Other Funds	
	Obtain copies of the Forms 09 through 73 for the other funds of the district.	
	Review the changes to the Adopted Budget for the other funds to determine if any of the changes negatively impact the fund.	
	Determine if any of the changes in the budgets of the other funds could result in the necessity of a subsidy from the general fund.	
	Other Concerns	
	List any other concerns that require discussion or resolution before the county superintendent can approve the certification on the first interim report.	
	Document any discussion with the district staff concerning any other financial issues, either for the current or subsequent years. For example, does the district have a parcel tax that will end soon?	

Interim Report Review Checklist #2

SAMPLE COUNTY OFFICE OF EDUCATION

TECHNICAL REVIEW OF FISCAL YEAR _____ INTERIM REPORT					
First Interim <input type="checkbox"/> Second Interim <input type="checkbox"/> District _____					
Reviewed by: _____ Date Review Completed _____					
A. Items Needed for COE Interim Report Review					
1. District's Interim Report & Diskette					.....
2. District's CY Budget					.....
3. District's PY Actuals					.....
4. Analysis of Reserves (Prepare in Excel, Lotus, or manually)					.....
5. Statistical Reports - 2 Prior Years					.....
6. PY Audit Report					.....
7. Interim Report Guidelines (by J Hooley, dated 11-15-93)					.....
8. Ad Hoc Report - Fund Balance & Reserves (Obj 9700-9799)					.....
9. G/L & Trans Reports (thru Oct for 1 st Int; thru Jan for 2 nd Int)					.....
				
B. Steps in Interim Report Review					
1. All Required Items Submitted:					.....
CI	CERTIFICATION			1 pg	.....
	Pos Qual Neg	(circle 1)			.....
	Properly signed?	Original signatures?			.....
AI	ATTENDANCE REPORT			1 pg	.....
01I	GEN FUND SUMMARY, U/R separate			6 pgs	.....
CASH	CASHFLOW			2 pgs	.....
01CSI	CRITERIA & STANDARDS	Summary			.....
		In-Depth	(circle 1)		.....
Copy of DISCLOSURE OF COLLECTIVE BARGAINING					.....
AGREEMENT if C&S reports negotiations are "complete."					.....
DATA DISKETTE					.....
BDGT REVISIONS if Form 01I has amounts in Col E					.....
STAFFING ANALYSIS					.....
				1 pg	.....
3-YEAR BDGT PROJECTION (CY + 2) with assumptions					.....
RESOLUTION for bdgt revisions in funds not reported in SACS					.....
software format					.....

Interim Report Review Checklist #2

<p>2. Form 01I - Gen Fund Summary, Unrestricted & Restricted:</p> <ul style="list-style-type: none"> (a) Fund Balance, All Columns Ln F1a = PY <u>unaud</u> act ending bal June 30 Ln F1b = PY aud adj (obj 9793) Ln F1c = CY <u>aud</u> act beg bal July 1 (formula) Ln F1d = Oth restatements as of rpt period (obj 9795) Ln F1e = Net beg bal (formula) (b) Revenues, Expenditures, Other Sources & Uses, & Components of Ending Balance Col A = July 1 adopted bdtg Col B = Bdtg on COE books as of rpt period (c) Lns F2 & F2c are not negative in col D (d) Ln F2a, obj 9711, all cols = same in PY unaud act (e) Restr Section, Pg 2, Col D, Ln F2c = zero (f) Tax estimates: J-29B _____ COE RL calc, EDP 117 _____ Dist est (current bdtg on COE books + unposted bdtg revisions: Gen Fund, obj 8021-8089) _____ (g) Dist RL Sources est = COE RL Sources proj (COE RL calc, pg 4): EDP 999 + EDP 117, + absolute value of EDP 085 if <u>NOT</u> Basic Aid. On Form 01I, pg 2, note comparison of COE calc & dist proj (G/L + bdtg rev); excl obj 8019, 8091, 8097 	
<p>3. Forms 09 – 73:</p> <ul style="list-style-type: none"> (a) If submitted, no bdtg resolution required (b) Perform Sec 2 checks (a) – (d) 	
<p>4. Form CASH - Cashflow:</p> <ul style="list-style-type: none"> (a) Beg cash, Ln A, Jul 1, ties to COE CY Gen Fund beg cash: CY beg bal or PY end bal. (Note on cash flow which cash accts are included; i.e. 9110/9135/9150/etc.) (b) End cash, Ln F, ties to COE end cash bal for last month of rpt period (Oct/Jan) (c) Under total net cash at year end, Ln E, note projected _____ Bdtg: Form 01I, col D, Ln E (d) EOY cash, Ln F, is positive 	

Interim Report Review Checklist #2

<p>5. Fund & Cash Balances:</p> <p>(a) Note Bdgt Fund bals in all funds as of rpt period, rounded to whole dollars: 9700-9799, excl 9720, plus all unposted bdgt revisions. For Gen Fund, use Form 01I, col D, Ln F2. For other funds, use ad hoc rpt (fund bal & reserves) + unposted bdgt revisions</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>(b) Note any neg cash bals from COE G/L or monthly cash reconciliation wksht for end of reporting period (all funds)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
<p>6. Form AI - Attendance Report:</p> <p>(a) Col A agrees with RL col of Form A from CY Bdgt</p> <p>(b) At 2nd INTERIM col B equals col C from 1st INTERIM</p> <p>(c) Col C = CY proj ADA & summer sch hrs in COE RL calc:</p> <p>Ln 6 = EDP 027; Ln 13 = Form S, EDP 326; Ln 15 less Lns 13 & 14 = EDP 097; Ln 18 = Sched D, EDP 140 + Sched J, EDPs 500 & 030 + Sched L, EDP 130 + Sched M, EDP 200 + Sched P, EDP 051</p> <p>(d) Note significant changes in ADA between cols A & C</p> <p>(e) ADA & RL Sources on Form 01I correlate from original bdgt to projection (both are increasing, decreasing, or staying the same). If not, is dist Basic Aid? (Note on Form AI); declining enrollment? (1st column completed).</p>	

Interim Report Review Checklist #2

<p>7. Multi-Year Projection:</p> <p>(a) Software Used: CDE Other (circle 1)</p> <p>(b) CY data agrees with Form 01I, Col D</p> <p>(c) Historical (prior yrs) data is correct</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>																						
<p>8. Form 01CSI - Criteria & Standards</p> <p>(a) Summary or In-Depth Review? (circle 1)</p> <p>(b) Reserves s/b what percent? (See Reserve Standard, bottom of pg 1) _____%</p> <p>(c) Verify calc to Analysis of Reserves (prepared from G/L, incl bdgt rev)</p> <p>(d) Required reserves are met? Yes No (circle 1) Rsrvs are in 01-Gen Fund 17-Sp Res (Oth) _____ (circle 1 or both) If appropriate, for Special Revenue, Enterprise, & Capital Projects Funds, dist submits Negative Fund Bal Review &/or Multi-year Commitments Review</p> <p>(e) Req'd reserves met in PY audited act? Yes No (circle 1)</p> <p>(f) Multi-Year Commitments section completed at least once during the FY (July 1 bdgt, 1st Int, or 2nd Int)</p> <p>(g) Verify all C&S data possible</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>																						
<p>9. Staffing Analysis:</p> <p>(a) Total FTE's tie to C & S, pg 3, Ln 3a, Cert & Class</p> <p>(b) Total Bdgt ties to Form 01I, pg 1, col D, Lns B1 & B2, Cert & Class</p> <p>(c) Status of Negotiations ties to C & S, pg 3, Ln 3c, Cert & Class, and if applicable, DISCLOSURE OF COLLECTIVE BARGAINING AGREEMENT</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>																						
<p>10. Budget Revisions:</p> <p>(a) GF bdgt revisions agree with Form 01I, col E</p> <p>(b) Obj codes are valid on COE books</p> <p>(c) After posting, transfer accts should balance:</p> <table border="0"> <tr> <td>5710</td> <td>01 - +</td> </tr> <tr> <td>5750</td> <td>all funds - +</td> </tr> <tr> <td>7310</td> <td>01 - +</td> </tr> <tr> <td>7350</td> <td>all funds - +</td> </tr> <tr> <td>7611-7619/8911-8919</td> <td>all funds + + (4th digits match)</td> </tr> <tr> <td>8089/8691</td> <td>01 - +</td> </tr> <tr> <td>8091</td> <td>01/11/13 - +</td> </tr> <tr> <td>8092/3801,3802</td> <td>01/all funds + +</td> </tr> <tr> <td>8287,8587,8697/7211-7213</td> <td>01 + +</td> </tr> <tr> <td>8980-8989</td> <td>01 - +</td> </tr> <tr> <td>8990-8999</td> <td>01 - +</td> </tr> </table> <p>If out of balance, run ad hoc rpt; send copy to dist</p>	5710	01 - +	5750	all funds - +	7310	01 - +	7350	all funds - +	7611-7619/8911-8919	all funds + + (4 th digits match)	8089/8691	01 - +	8091	01/11/13 - +	8092/3801,3802	01/all funds + +	8287,8587,8697/7211-7213	01 + +	8980-8989	01 - +	8990-8999	01 - +	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
5710	01 - +																						
5750	all funds - +																						
7310	01 - +																						
7350	all funds - +																						
7611-7619/8911-8919	all funds + + (4 th digits match)																						
8089/8691	01 - +																						
8091	01/11/13 - +																						
8092/3801,3802	01/all funds + +																						
8287,8587,8697/7211-7213	01 + +																						
8980-8989	01 - +																						
8990-8999	01 - +																						
<p>11. Document any tests not met; if errors are material, 5% x (beg bal + revenues), request corrections from district</p>	<p>.....</p> <p>.....</p>																						

Interim Report Review Checklist #3

**District Business and Advisory Services
INTERIM REPORT REVIEW
FY 2003-04**

	1st Period October 31
	2nd Period January 31
	3rd Period April 30

District**CDS Code**

Reviewed By:

Date:

ITEMS RECEIVED FROM DISTRICT:		COMMENTS
Date Received Reports		
Board Meeting Date		
Form CI - Interim Certification with Orig. Signatures	<input type="checkbox"/> YES <input type="checkbox"/> NO	
District Certification	<input type="checkbox"/> POS <input type="checkbox"/> QUAL <input type="checkbox"/> NEG	
Form AI - Average Daily Attendance		
Form RLI - Revenue Limit Summary		
Form K-12 R/L Schedule B (districts with charter schools)		
Form 01I - General Fund - Statement of Revenues & Expenditures (unrestricted, restricted & combined restricted & unrestricted format)		
Form CASH - Cash Flow Worksheet		
Form MYP - Multi-Year Projection Worksheet		
Form 01CSI - Criteria and Standards Review		
Form 01CSI - In-Depth Review (if required)		
Form TRC - Technical Review Checks		
Narrative including Budget Assumption Changes		
Narrative for Funds other than General Fund (if significant changes)		
Financial Statements for any Funds Projecting a Negative Cash of Negative Fund Balance		
Encroachment/Flexibility Transfer Detail Worksheet		
ROPs-Revenue Limit Calculation		
SACS Diskette (optional)		
MYP Diskette (optional)		
Print-out of G/L Trial Balance and Revenue & Expense Reports - Summary, Restricted and Unrestricted (for off-line districts only)		
Others:		
Form TRC - TECHNICAL REVIEW CHECKS		COMMENTS
Review status of all technical review checks		
Determine that there are no Fatal (F) exceptions		
Determine that all (W) and (WC) exceptions are adequately explained.		
Form CI - DISTRICT CERTIFICATION		COMMENTS
Verify signatures of board president and superintendent.		
Positive fund and cash balance projected?		
If qualified or negative balance, has in-depth review been completed?		<input type="checkbox"/> YES <input type="checkbox"/> NO
FORM AI - AVERAGE DAILY ATTENDANCE		COMMENTS
Est. P-2 ADA Compare to budgeted P-2, CBEDS or latest J-18/19. If declining enrollment, verify prior year P-2 ADA.		
Col. A Must agree with July 1st adopted budget Form A revenue limit ADA.		
Col. B Compare to CBEDS or latest J-18/19.		
Col. C & D Material differences from col. B supported by explanation/documentation?		
Is ADA projection reasonable?		<input type="checkbox"/> YES <input type="checkbox"/> NO

Interim Report Review Checklist

#3

District Business and Advisory Services INTERIM REPORT REVIEW FY 2003-04

	1st Period October 31
	2nd Period January 31
	3rd Period April 30

District

CDS Code

Reviewed By:

Date:

FORM RLI - REVENUE LIMIT SUMMARY		COMMENTS
	Verify the accuracy of the base revenue limit per ADA, COLA, equalization and other adjustments.	
	Revenue limit ADA agrees with Form AI.	
	Determine significant changes in "Projected Year Totals" from "Adopted Budget" column.	
	Review other major components of the revenue limit calculation for reasonableness.	
	Compare revenue limit sources to BAS projections.	
FORM 01CSI CRITERIA AND STANDARDS REVIEW		COMMENTS
	Match status of cash and fund balance to certification.	
	Verify recommended reserve percentage and reserve calculation.	
	Review status of negotiations section for completion.	
	Validate multi-year commitments for all funds and determine if consistent with audit report.	
	Verify that no other fund balances are projected to be negative, or that acceptable explanations are provided.	
FORM 01I - STATEMENT OF REVENUES, EXPENDITURES & FUND BALANCE		COMMENTS
Col. A	Must agree with July 1 Form 01 Adopted Budget.	
Col. B	Compare to G/L financial statements for reasonableness	
Col. B & D	Unaudited Beginning Balance equals prior year unaudited actuals ending balance?	
Col. B & D	Audit adjustments are posted and beg. bal. matches audit report? (if available)	
Col. B & D	Compare 1000 object code to changes in ADA or enrollment projections.	
Col. C	Compare to G/L financial statements for reasonableness.	
Col. C & D	Review "Actuals to Date" and "Projected Year Totals" columns. Compare with prior year for reasonableness.	
Col. D	Compare 1000, 2000, and 3000 objects projections for reasonableness based on actuals to date (<i>Determine year-to-date balances in the 1000-3000 object codes and extend for the entire year. Compare calculations to "Projected Year Totals".</i>)	
Col. D	Check to ensure that status of negotiations is consistent with 1000 and 2000 projections as well as ending balance reserves.	
Col. D	Verify that Undesignated Fund Balance is zero or positive.	
Col. E	Review narratives for explanations on material changes.	
FORM CASH - CASH FLOW WORKSHEET		COMMENTS
Sec. A	Beginning cash balance (7/1) must agree to prior year audit report and G/L account 9110. If discrepancies exist, a reconciliation must be attached.	
Sec. B-C-D	Match July to October (1st interim) or July to January (2nd interim) or July to April (3rd interim) to general ledger financial statements.	
Sec. B-C-D	Review November thru June (1st interim) or February thru June (2nd interim) or May thru June (3rd interim) for reasonableness.	
Sec. B & C	Reconcile projected receipts and disbursements "total" column to column D on the Form 01I Statement of Revenues and Expenditures.	
	Identify any tax and revenue anticipation notes (TRANS) issues and repayments. Verify that receipts and payments are included in the cash flow worksheet.	
	Determine that the total prior year transactions agree to the prior year's accounts receivable and payable.	
	Determine that ending cash balance is positive for the remainder of the fiscal year.	
	Determine the nature of any transactions recorded as "Other Receipts/Non-Revenue" or "Other Disbursements/Non-Expenditures".	
	Review the latest cash reconciliation statement and identify any negative cash balance in the district funds.	

Interim Report Review Checklist #3

**District Business and Advisory Services
INTERIM REPORT REVIEW
FY 2003-04**

	1st Period October 31
	2nd Period January 31
	3rd Period April 30

CDS Code

Date:

[illegible]

Interim Report Review Checklist

#3

District Business Services DISTRICT BUDGET/INTERIM REPORT REVIEW

DISTRICT _____ CHECKED BY _____ DATE _____

FY 2003-04 BUDGET _____ FIRST INTERIM 4 SECOND INTERIM _____

ITEMS NEEDED

ADA/CBEDS Proj Wkshts PY Audit Reports Collective Bargaining Disclosure Statistical Reports
RL Projections J-29B Property Taxes Gen Fnd/Oth Fnds History Wkshts PY Unaud Actuals
Ad Hoc Rpts (Bdgt): Fund Bal, Intfnd Xfrs, St Aid & PERS Reduc, Debt Svc Pmts, RRM Rsrvs, RRM Exp
Ad Hoc Rpts (Bdgt & PY Act): Prprty Taxes, Sp Ed Rev & Sp Ed Xss Costs, Mand Costs & Lottery

ATTENDANCE Form A CY PY PPY
1. ADA: Dist + COE Sp Ed + Charter Schools _____
Reasonable? (Check Stat Rpt)

REVENUE LIMIT Form RL PY CY (District Est)
1. Basic Aid? Y ☒ N CY vs PY Taxes: _____ % Incr _____ -----> _____
2. Balance to COE projection? _____ State Aid
CY PY PPY PERS Reduction
SPECIAL EDUCATION _____ Total RL Sources
1. In line with COE PY data?

GENERAL FUND Form 01 PY General Fund Restr Ending Balance _____

REVENUES

1. RL Sources
_____ % Increase/(decrease) Reasonable?
2. Federal Revenues
_____ % Increase/(decrease) Reasonable?
3. Oth State Revenues CY PY PPY
8550: Mandated Costs _____
8560: Lottery _____
_____ % Increase/(decrease) Reasonable?
4. Other Local
_____ % Increase/(decrease) Reasonable?
_____ % INCREASE/(DECREASE) IN REVENUES Compare to GF history wksht

EXPENDITURES

1. 1000, 2000, 3000
_____ % Increase/(decrease) Reasonable?
2. 4000, 5000, 6000
_____ % Increase/(decrease) Reasonable?
3. 7000 CY PY PPY
7142: Excess Costs to COE - Ck to PY _____
_____ % Increase/(decrease) Reasonable?
_____ % INCREASE/(DECREASE) IN EXPENDITURES Compare to GF history wksht

OTHER SOURCES/USES

Transfers In
Transfers Out - Def Maint
Supporting other accts/funds?
Other Sources - change
Other Uses - change: Long-Term Debt pmt?
_____ % INCREASE/(DECREASE) IN OTHER SOURCES/USES Compare to GF history wksht

_____ % INCREASE/(DECREASE) IN FUND BALANCE REASONABLE? Increase due to larger Restricted Balance

Interim Report Review Checklist #3

District Business Services DISTRICT BUDGET/INTERIM REPORT REVIEW

DISTRICT _____	CHECKED BY _____	DATE _____
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FY <u>2003-04</u>	BUDGET _____	FIRST INTERIM <u>4</u>	SECOND INTERIM _____
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Fund 11 ADULT EDUCATION

- a. Compare to OF history wksht
- b. 8094, RL Transfer to 201R

Fund 12 CHILD DEVELOPMENT

- a. Compare to OF history wksht

Fund 13 CAFETERIA FUND/ACCOUNT

- a. Compare to OF history wksht
- b. Check Support from General Fund

Fund 14 DEFERRED MAINTENANCE

- a. Compare to OF history wksht
- b. Check Transfers

Fund 17 SPECIAL RESERVE (OTHER)

- a. Compare to OF history wksht
- b. Check Transfers
- c. Verify substantial incr in rev & exp

Fund 19 FOUNDATION SPECIAL REVENUE

- a. Compare to OF history wksht

Fund 21 BUILDING

To record COP's & other local revenue sources

- a. Compare to OF history wksht
- b. If in state lse-prchs pgm, xfrs out
restricted to Capital Outlay/Def Maint
- c. Check Transfers
- d. Verify substantial incr in rev & exp

Fund 25 CAPITAL FACILITIES

Developer Fees (3% Admin fee allowed)

- a. Compare to OF history wksht
- b. Check Transfers
- c. Verify substantial incr in rev & exp

Fund 30 STATE SCHOOL BUILDING LEASE/PURCHASE

Primarily for Leroy Green funds

- a. Compare to OF history wksht
- b. Check Transfers
- c. Verify substantial incr in rev & exp

Fund 35 COUNTY SCHOOL FACILITIES

Prop 1A Bond funds

- a. Compare to OF history wksht
- b. Check Transfers
- c. Verify substantial incr in rev & exp

Fund 40 SPECIAL RESERVE (CAPITAL PROJECTS)

- a. Compare to OF history wksht
- b. Check Transfers
- c. Verify substantial incr in rev & exp

Fund 51 BOND INTEREST & REDEMPTION / 53 TAX OVERRIDE

Co Controller prepares 51 budget

Districts may submit 51 & 53 budget

If district does not adopt 51 / 53 bdgt on July 1,
can do later with separate Board resolution

SMCOE completes 51 & 53A unaudited actuals

Other Funds

- a. Compare to OF history wksht

Interim Report Review Checklist

#3

District Business Services DISTRICT BUDGET/INTERIM REPORT REVIEW

DISTRICT _____ CHECKED BY _____ DATE _____

FY 2003-04 BUDGET _____ FIRST INTERIM 4 SECOND INTERIM _____

Required Reserves = 3% General Fund _____

\$ Amt Req'd _____ Sp Res Fund (Oth) _____

Total _____

** COMMENTS FOR BUDGET LETTER

Deficit spending

- ☐ Okay -- None
- ☐ Curr Exp > Rev
- ☐ Caused by Xfr Out
- ☐ Caused by Debt Svc Pmts
- ☐ Caused by Contr to Restr Pgms

ADA

- ☐ Reasonable OK
- ☐ Big increase
- ☐ Declining

Revenue Limit

- ☐ Okay to COE proj
- ☐ Less than COE
- ☐ More than COE

Special Ed

- ☐ Okay to Prior Yrs
- ☐ Less than COE est
- ☐ More than COE est

Revenues

- ☐ Amts Reasonable
- ☐ Conservative
- ☐ Aggresssive

Expenditures

- ☐ Amts Reasonable
- ☐ Conservative
- ☐ Aggressive

Reserves

- ☐ Not enough
- ☐ Just enough OK
- ☐ More than enough
- ☐ Met in PY Audited Actuals?

GF Balance

- ☐ Okay
- ☐ Large
- ☐ Declining 4, 3, 2, 1 yrs

Fund Balance - Other Funds

- ☐ Okay
- ☐ Large amts
- ☐ Declining 4, 3, 2, 1 yrs

Cert Negotiations

- ☐ Settled, amts OK
- ☐ Not settled

Clas Negotiations

- ☐ Settled, amts OK
- ☐ Not settled

Staffing Analysis

- ☐ OK
- ☐ Not in line w/salaries

MYP Meets 3% ? CY _____ Yr 1 _____ Yr 2 _____

Long-Term Debt

GO Bonds	Y	N
SSB Loans	Y	N
Retiree Benefits	Y	N
Comp Absences	Y	N
COPS	Y	N
Cap Leases	Y	N
Other	Y	N

Yrs Left / Principal / Payment per yr / Fund

I. OVERVIEW

A. Audit Requirements

1. Education Code (EC) Section 41020 requires each local educational agency (LEA) to contract for an audit by April 1 of each year. For this requirement, LEA includes K-12 school districts, most joint powers authorities (JPAs), and regional occupational centers/programs (ROC/Ps); community colleges are not included. According to Education Code Section 41023, JPAs established per EC 17567 (health benefits, workers' comp and insurance losses and payments) are also not included.
2. If the LEA fails to contract for the audit by April 1, it is the responsibility of the county superintendent of schools to contract with an audit firm on behalf of the LEA by May 1 of each year.
3. For school districts that receive an emergency apportionment from the state:
 - a. Education Code Section 41320.1 (d) allows the Office of the State Controller (SCO) or their designee to conduct an audit in lieu of the audit required under E.C. Section 41020.
 - b. At the SCO's discretion, the SCO may conduct the audit or approve the auditor selected by the district.
 - c. These audits are required until the SCO determines, in consultation with the superintendent of public instruction (SPI), that the district is fiscally solvent.

B. Auditor Rotation

1. Education Code Section 41020 (f)(2) states:

Commencing with the 2003-04 fiscal year and except as provided in subdivision (d) of Section 41320.1, it is unlawful for a public accounting firm to provide audit services to a local educational agency 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 that local agency in each of the six previous fiscal years.

2. The Education Audit Appeal Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.

C. Filing Audit Reports (Education Code Section 41020 [h])

1. Annual audit reports must be filed electronically no later than December 15 by the certified public accounting (CPA) firm that performed the audit. The firm must file a copy of the report with the following:

- a. The county superintendent of schools of the county in which the LEA is located.
 - b. The California Department of Education (CDE).
 - c. The Office of the State Controller (SCO).
2. Education Code Section 47605 (m) requires each nonprofit charter school to submit a copy of its annual audit to the chartering entity, the SCO, the county superintendent of schools of the county in which the charter is located, and the CDE, by December 15 of each year.
3. Delays (Education Code Section 41020.2)
 - a. The county superintendent of schools may investigate the causes of the delay and take action if the auditors do not file the audit report with the county superintendent by December 15. The CDE and SCO may also contact the county office if the audit reports are not received by December 15.
 - b. The county superintendent is responsible to initiate one of the following actions:
 - i. The county superintendent may grant an extension for the audit, after consultation with the district governing board and the auditors, and with the consent of the SCO and the SPI.
 - ii. The K-12 Audit Guide further explains:

The Department of Education's guidelines state that extensions will be granted only under extraordinary circumstances. The request must be received by both the SCO and the CDE no later than December 1. Prior to December 15, the SCO and CDE will review the request and accompanying justification and provide notification as to whether the extension is granted or denied.
 - iii. The county superintendent may contract with another audit firm to complete the audit, after consultation with the district governing board, the auditors, and the SCO.
 - iv. The county superintendent may request the SCO to investigate the situation and initiate action.
 - c. If the county superintendent contracts with another firm, the county superintendent should assist the district in avoiding payment to the original audit firm (as much as feasible).
 - d. Note: There is no provision in the law for an extension of a charter school audit.

D. Quality of School District Audits

1. Education Code Section 14504.2 authorizes the county superintendent or the county board of education to refer an independent auditor of a local educational agency to the California Board of Accountancy for action if an audit of an LEA was conducted in a manner that may constitute unprofessional conduct as defined by Section 5100 of the Business and Professions Code, including but not limited to gross negligence resulting in a material misstatement in the audit.
2. Education Code Section 41020.5 requires the county superintendent to notify in writing the certified public accountant or public accountant and the California Board of Accountancy if the audits of school districts in the county were not performed in substantial conformity with the audit guide.
 - a. This section provides for an appeal process.
 - b. If the determination by the county superintendent becomes final, the CPA or the public accountant will be ineligible to perform school audits for a period of 3 years.

E. Responsibility for Audit Exceptions (Education Code Section 41020[i])

1. The county superintendent of schools is responsible for reviewing the audit exceptions and for determining whether each audit exception has been corrected or whether the LEA has developed an acceptable plan of correction in the following areas:
 - a. Attendance
 - b. Inventory of equipment
 - c. Internal control
 - d. Miscellaneous
 - e. Instructional material program funds
 - f. Teacher misassignments pursuant to Education Code Section 44258.9
 - g. Information reported on the school accountability report card (SARC) pursuant to Education Code Section 33126
2. The CDE is responsible for reviewing the audit exceptions related to federal and state compliance.
3. The auditor is required to review the correction or plan of correction to determine if the exceptions have been resolved in the subsequent year audit.

- a. If not, the auditor immediately notifies the county office of education and the CDE.
 - b. After receiving the notification, the CDE either consults with the LEA to resolve the exception or requires the county superintendent to follow up with the LEA.
- F. Education Code Section 41020.8 authorizes the district's auditor to release information to the county superintendent if the county has determined that the district may not be able to meet its financial obligations for the current or subsequent fiscal year (Education Code Section 42127.6).**

II. COUNTY OFFICE RESPONSIBILITIES

1. Auditor Selection

- a. Education Code Section 41020 (b)(3) requires the county superintendent to determine, by April 1 of each year, that each LEA has made arrangements for an annual audit of its financial statements.
 - i. If the governing board of the LEA has not made arrangements for the audit by April 1, the county superintendent must provide for the audit.
 - ii. The county superintendent must provide for the audit by May 1.
 - b. Education Code Section 41020 (b)(2) requires the county superintendent of schools (and the LEA's governing board) to approve the contract for audit services for any LEA in the following situations:
 - i. The LEA has had a disapproved budget or a negative certification on its interim financial reports during the current year or either of the two preceding fiscal years.
 - ii. The county office has determined that a lack of going concern exists.
- ### **2. Review of the Audit Exceptions (Education Code Section 41020)**

The county superintendent of schools is required to do the following:

- a. Review the audit exceptions related to the following:
 - i. Attendance
 - ii. Inventory of equipment
 - iii. Internal control
 - iv. Miscellaneous

- v. Instructional material program funds
- vi. Teacher misassignments pursuant to Education Code Section 44258.9
- vii. Information reported on the school accountability report card (SARC) pursuant to Education Code Section 33126
- b. Identify any audit exceptions where a description of the correction or plan of correction is not provided in the audit report and notify the LEA of this, requesting that a description of the correction, or plan of correction be provided by March 15.
 - i. Education Code Section 41020 (g)(2) states:

To the extent possible, a description of correction or plan of correction shall be incorporated in the audit report, describing the specific actions that are planned to be taken, or that have been taken, to correct the problem identified by the auditor. The descriptions of specific actions to be taken or that have been taken shall not solely consist of general comments such as “will implement”, “accepted the recommendation”, or “will discuss at a later date”.
- c. Review the description of correction or plan of correction for each audit exception and determine if it is adequate.
 - i. For any description that is found to be inadequate, require the LEA to submit a response to the county office that adequately resolves the audit exception.
- d. Certify to the SPI and the SCO no later than May 15 that:
 - i. All of the annual audits and all of the audit exceptions required to be reviewed by the county office have been reviewed.
 - ii. Except as otherwise noted in the certification, that the LEAs have adequately corrected, or developed an acceptable plan of correction for, the audit exceptions reviewed by the county office.
- e. Direct all LEAs with attendance-related exceptions or other exceptions that involve state funds to submit the appropriate forms to resolve the exception. For example, if the auditors determine that average daily attendance (ADA) was incorrectly reported, the county office staff will request a revised report of attendance (P-2 or Annual).
- f. Adjust the future local property tax requirements (tax rates or tax revenues) if there are audit exceptions that have a fiscal impact on local property taxes.

3. Delays in Filing Audit Reports (Education Code Section 41020.2)
 - a. Investigate causes of the delay and take action if the auditors do not file the audit report with the county superintendent by December 15.
 - b. Initiate one of the following actions:
 - i. Grant an extension for the audit (after consultation with the district governing board, the auditors, and with the consent of the SCO and the SPI).
 - ii. Contract with another audit firm to complete the audit (after consultation with the district governing board, the auditors, and the SCO).
 - iii. Request that the SCO investigate the situation and initiate action.

CALENDAR

<i>Month</i>	<i>Activity</i>
December	<ul style="list-style-type: none"> • The county superintendent must file requests for extensions for filing the annual audit report with the SCO and CDE by December 1. • Annual audit reports are due by December 15 <ul style="list-style-type: none"> • If not received by the deadline, the county superintendent may investigate the cause of the delay and initiate action to obtain the audit in the most effective manner.
January	<ul style="list-style-type: none"> • Update and send the auditor selection letter to LEAs, requesting information on the selection of their auditors by April 1.
January - February	<ul style="list-style-type: none"> • Audit Exceptions <ul style="list-style-type: none"> • Review all audit exceptions required to be reviewed by the county office. • Notify LEAs with deficiencies in their plan of correction and request additional documentation. • If the description of the correction or plan of correction is not in the audit report, notify the LEA and request that the governing board provide this information by March 15. • Direct LEAs to submit revised reports for attendance-related exceptions or other audit exceptions that involve state funds.

April	<ul style="list-style-type: none"> • Assess LEAs' corrective actions for audit exceptions previously determined to have deficiencies in their plan of correction. • Assess LEAs' corrective actions for audit exceptions previously lacking a description of the correction. • Begin making arrangements for the annual audit of the next fiscal year for any LEAs that didn't make arrangements by April 1.
May	<ul style="list-style-type: none"> • By May 1, arrangements must be made for the audit of any LEAs that did not make their own arrangements by April 1. • Notify the SPI and the SCO by May 15 that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

III. DETAILED PROCEDURES

Note: The forms in this section are provided for illustration and are not required by law or by the California Department of Education.

A. Selection of the Auditor

1. In January, update the auditor selection letter and send it to the LEAs. See samples at the end of this section.
2. By April 1, determine whether all districts have selected an auditor.
3. For those LEAs that have not selected an auditor by April 1, the county must make arrangements for an audit by May 1.

Education Code Section 41020 (e)(1):

The cost of the audits provided by the county superintendent of schools shall be paid from the county school service fund and the county superintendent of schools shall transfer the pro rata share of the cost chargeable to each district from the district funds.

B. Review of the Audit Exceptions

1. In January, the county staff should begin reviewing the audit exceptions in the audit reports to determine whether each LEA's responses to the audit exceptions in the audit report represent a sufficient corrective action plan.

If the county staff determine that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Sample forms to request the LEA's corrective action plan are at the end of this section.

If the county staff determine that the LEA did not provide a response in the audit report, they should notify the LEA in January/February requesting the response be provided by the governing board by March 15.

2. There are no standards for what is an acceptable corrective action plan; each county office determines whether or not the action plan is acceptable and the level of documentation needed to assess whether the action plan is acceptable.
3. No later than May 15, the county office must notify the SPI and the SCO that the county office staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan of correction.

C. Quality of School District Audits

1. Education Code sections 14504 and 41020.5 authorize the county superintendent to notify the California Board of Accountancy if he or she determines that the audit was conducted in an unprofessional manner or that the audit was not conducted in accordance with the audit guide.
 - a. Once the California Board of Accountancy is notified of potential problems, the board will determine whether an investigation is warranted, and, if so, will conduct the investigation.
 - b. Based on the results of the investigation, the California Board of Accountancy may sanction the CPA or accountant.
2. Several counties have asked the CPA or accountant conducting school district audits to prepare and sign a representation letter stating that the firm conducted the audit in accordance with the audit guide. This is usually done at the completion of the audit and submitted with the audit report.

D. Sample Audit Activity Reporting Calendar

At the end of this section is a sample of an audit activity calendar used by one county office of education to provide information to the LEAs on the various dates for audit activities as required by the county office or the Education Code.

IV. LEGAL CITATIONS

Education Code

Sections 14502-14504, 41020–41020.8

SAMPLE-AUDIT EXCEPTIONS RESOLUTION LETTER

February 15, 2014

_____, Chief Business Official
_____, School District
_____, Avenue
_____, CA _____

Dear Mr. _____:

Re: 2013-14 Audit Exceptions Resolution Process

Pursuant to *EC* Section 41020, the county office is required to review and ensure resolution of audit exceptions related to attendance, inventory of equipment, internal control, miscellaneous items, teacher misassignments pursuant to *EC* Section 44258.9, information reported on the school accountability report card pursuant to *EC* Section 33126, and the use of instructional materials program funds including the reporting requirements for the sufficiency of textbooks and instructional materials. For attendance-related audit exceptions or exceptions involving state funds, our office is to ensure that the districts have submitted appropriate reporting forms to resolve the exceptions.

Pursuant to *EC* Section 41344.4, districts will not be required to repay audit exceptions related to the reporting requirements for the sufficiency of textbooks and instructional materials, if our office has accepted the district's correction or plan of correction and certifies that the finding was resolved. The plan of correction must be consistent with the requirements of *EC* Section 60119(a)(2)(A).

Upon review of the district's findings and recommendations reported in the 2013-14 audit report, we have determined that further clarification and/or documentation is needed for resolution by our office. Please let us know of the corrective action(s) you have taken or are planning to take to address Finding(s) _____. Please include a copy of any documentation that evidences the corrective action(s) or plans of action(s).

Please email the response along with the attached 2013-14 Audit Finding(s)/Corrective Action(s) form, and any documents that support the corrective actions taken to _____ at xxxxx@xxx.net.

Your response must be received no later than March 15, 2014, but may be submitted at any time prior to this date.

If an audit finding requires an adjustment to attendance figures, please include a copy of the original and revised Second Principal Apportionment (P-2) and/or Annual Apportionment attendance reports.

We will determine from the information and documentation submitted if the action(s) taken adequately address the audit finding(s) so that they can be cleared by our office.

You may also receive a separate communication from the California Department of Education

(CDE) with regard to certain audit findings. The CDE is responsible for reviewing and resolving certain state compliance audit exceptions. In addition, the CDE is required to resolve audit findings affecting federally funded programs.

Thank you for your attention to this matter. If you need further information, please contact _____, Consultant, Business Advisory Services at (XXX) XXX-XXXX.

Sincerely,

Executive Director
District Financial Services

CC:

2013-14 Audit Findings/Corrective Actions

District _____

Category 1: _____ Category 2: _____

Prior Year 1: _____ Prior Year 2: _____ Prior Year 3: _____

Sub Category: _____

Finding 2014-1:

Amended Report(s) Required? P-2: ☐ Annual: ☐ Other: ☐

Finding Resolved? _____ Date Resolved? _____

What SPECIFIC action has/will the district take to resolve the finding? If PRIOR YEAR finding, explain why corrective action was not implemented:

WHEN was/will the corrective action be implemented/completed? _____

WHO is responsible for corrective action implementation? _____

Please provide all documentation which supports the specific action taken toward resolving the finding; i.e., copies of amended reports, corrective action plans, written procedures, agendas from staff in-services, etc.

Number of Documents Attached to Confirm Resolution of Finding: _____

Signature of District Official_____
Title_____
Date

Please return this form and any supporting documentation to _____ at xxxxxxxx@xxx.net, or return via truck mail to:

Attention: _____

_____ County Office of Education

_____, CA _____

Sample Independent Auditor Selection Letter

Date: January 30, 2015
To: Chief Business Officials
Business Managers
From: XXX

RE: Independent Auditor Selection for Fiscal Year 2014-15

Education Code Section 41020 requires school districts to contract for an audit of their books and accounts by April 1st of each year. The same code requires the County Superintendent to provide an auditor for districts that fail to contract with a firm by that date.

Please complete the enclosed certification form and return to the County Office by April 1, 2015. If a response is not received by **April 1, 2015**, we will assume the district wants the County Office of Education to provide an auditor, and we will begin the selection process at that time.

Please send a complete copy of the board approved, executed audit contract to _____, Business Advisory Services. If you have a multi-year contract and have previously forwarded a copy to our office, you are not required to submit another copy provided no amendments have since been made. In either instance, the enclosed "Independent Auditor Selection Certification Form" must be completed and forwarded annually. Thank you for your cooperation.

If you have any questions, please contact _____.

CC:

Enclosures

INDEPENDENT AUDITOR SELECTION CERTIFICATION

This serves as notice that pursuant to Education Code Section 41020, the Board of Trustees of the _____ School District awarded a contract for the annual audit of the books and accounts of the district for fiscal year **2014-2015** at its regularly scheduled meeting held on _____.

The contract was awarded to:

Audit Firm: _____

Address: _____

City & Zip Code: _____

Phone: _____ Fax: _____

Account Representative: _____

2014-15 Fiscal Year Audit Fee: \$ _____

If a multiple-year contract, state the fiscal years covered: _____

Authorized District Representative (Print Name)

Phone Number

Signature

Date

FORWARD THIS INDEPENDENT AUDITOR SELECTION CERTIFICATION BY APRIL 1, 2015 TO:

_____ County Office of Education

_____, Room 608

_____, CA _____

Attention: XXXX

- ☐ A copy of the executed contract is attached.
- ☐ A copy of the executed contract will be forwarded once it is finalized.
- ☐ A copy of our multi-year contract has been previously forwarded and no amendments have been made.

Timeline and Responsibilities

DATE	RESPONSIBILITY	ACTIVITY
December 15	Auditor	Audit reports shall be submitted to the California Department of Education, state controller, county office of education and the district.
January 31	District	On or before this date, at a public meeting, the district board shall review and accept the annual audit. (EC 41020.3)
January 31	County Office	The county office shall provide to the districts the Certification of Corrective Action and specific Audit Finding Corrective Action forms, which must be adopted by the board and returned to the county office by April 1.
March 15	District	On or before this date, school districts shall submit to the county office the specific Audit Finding Corrective Action forms adopted by their governing board.
April 1	District	On or before this date, school districts shall submit to the county office the Independent Auditor Selection Certification Form for the current fiscal year.
April 15	County Office	The county office will respond in writing to the districts regarding the adequacy of the Certification of Corrective Action, identifying the areas that require further explanation, corrective action or a plan for correction.
April 30	District	Any additional information required of the school district must be submitted to the county office by this date.
May 1	County Office	The county office shall provide for an audit contract for any district that has not secured an auditor for the current fiscal year.

DATE	RESPONSIBILITY	ACTIVITY
May 15	County Office	<p>In accordance with EC 41020(k), the county office shall certify to the Superintendent of Public Instruction (SPI) and the Office of the State Controller (SCO) that all district audits were reviewed and corrections were made, except as noted, or an acceptable plan was submitted.</p> <p>In addition, the county superintendent shall identify any attendance-related exceptions or other exceptions that had a fiscal impact on state funds, and require the school district to submit the appropriate forms for processing by the SPI.</p>
	Auditors	<p>In accordance with EC 41020(1), the independent audit firm will certify to the county office regarding the status of the Certification of Corrective Action.</p>
	SPI	<p>In accordance with EC 41020(m), the SPI shall be responsible for ensuring that school districts have either corrected or developed a plan of correction for any or all of the following:</p> <ul style="list-style-type: none"><input type="checkbox"/> All federal and state compliance audit exceptions identified in the audit.<input type="checkbox"/> Any exceptions that the county superintendent certifies as of May 15 have not been corrected.<input type="checkbox"/> Any repeat audit exceptions that are not assigned to a county superintendent to correct.
	State Controller	<p>In accordance with EC 41020(n), the SCO annually shall select a sampling of county superintendents of schools, perform a follow-up of the audit resolution process of those county superintendents of schools, and report the results of that follow-up to the SPI and the county superintendents of schools that were reviewed.</p>

I. OVERVIEW

A. The Charter Schools Act of 1992 authorized charter schools to operate in California.

B. Charter School Petitions

1. To operate a charter school, applicants must prepare a petition for sponsorship by a school district, county office of education, or the State Board of Education.
2. School districts may approve a charter school to operate independently from the existing school district structure. However, the charter school shall operate within the geographic boundaries of that school district. A charter school may propose to operate at multiple sites within the school district, as long as each location is included in the charter school petition. Exceptions apply (E.C. 47605)
3. Upon approval of the petition by the governing board of the school district, the petitioners must provide written notice of that approval, including a copy of the petition, to the applicable county superintendent of schools, the California Department of Education, and the State Board of Education.
4. If the school district governing board denies the petition for the establishment of a charter school, the petitioner may submit the petition to the county board of education. After the petitioner has appealed to the county board of education, and the county has denied the petition, the petitioner may submit the petition to the State Board of Education.
5. Education Code Section 47605.5 allows petitioners to submit charter school petitions directly to a county board of education for a charter school that will serve pupils for whom the county office of education would otherwise be responsible for providing direct education and services.
6. Education Code Section 47605.6 authorizes the county board of education to approve a petition for the operation of a charter school that operates at one or more sites within the geographic boundaries of the county and that provides instructional services that are not generally provided by a county office of education.

A county board of education may only approve a countywide charter if it finds, in addition to the other requirements of this section, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county.

7. Education Code Section 47605.8 allows petitioners to submit petitions directly to the State Board of Education. The board is authorized to approve a petition for a charter school that would operate at multiple sites throughout the state. The petition must meet the stated “statewide benefit” criteria.

Charter Schools

8. Some of the items that the petitioners must include in the petition (Education Code 47605):
 - a. The educational program of the proposed charter school and the facilities the school will use.
 - b. The measurable pupil outcomes identified for use by the charter school.
 - c. The governance structure of the school.
 - d. The qualifications that persons employed by the school must meet.
 - e. The procedures that the school will follow to ensure the health and safety of pupils and staff.
9. On or after January 1, 2003, each petition for the establishment of a charter school that is submitted to a chartering agency, or for which a renewal is sought, must identify a single charter school and specify the geographic and site requirements for the school. Charter school facilities must be within the geographic boundaries of the authorizing district unless specifically exempted (Education Code Section 47605.1).
10. Attachments to this procedure include charter petition review documents that may be used to review appeals coming to the county superintendent of schools office or request for establishment of a countywide benefit charter:
 - a. Charter Petition Review on Appeal following the denial by a school district
 - b. Charter School Denial Appeal submission packet
 - c. Application packet for the request of a Countywide Benefit Charter School

C. The authority that granted the charter may inspect or observe any part of the charter school at any time.

D. Restrictions (Education Code Section 47605)

Beginning in January 1, 2003, no entity is authorized to approve a charter school to serve pupils in a grade level that is not served by the school district of the governing board considering the petition, unless the petition proposes to service pupils in all of the grade levels served by that school district.

E. Petition Process (Education Code Section 47605)

1. No later than 30 days after receiving a petition, the governing board of the school district must hold a public hearing on the provisions of the charter.

2. Following review of the petition and the public hearing, the governing board of the school district must grant or deny the charter within 60 days of receipt of the petition.
3. Both parties may agree to an additional extension of 30 days.

F. Types of Charter Schools

1. Charter schools are operated as a part of the school district/county office of education or as nonprofit public benefit corporations.
2. Charter schools that are operated as a part of the school district, while exempt from many laws that impact school districts, are still legally a part of the district and:
 - a. Are included in the district's budget.
 - b. Are included in the district's financial reports to the state.
 - c. Are included in the district's annual audit report.
 - d. These charter schools are reported in the general fund (district), county school service fund (county), a special revenue fund 09, or in an enterprise fund 62.
3. Education Code Section 47604:
 - a. Authorizes charter schools to operate as, or be operated by, a nonprofit public benefit corporation, formed and organized pursuant to the Nonprofit Public Benefit Corporation Law of the Corporations Code.
 - b. Authorizes the governing board of the school district that grants the charter to have a single representative on the board of directors of the nonprofit public benefit corporation.
 - c. This section states that:

An authority that grants a charter to a charter school, to be operated by, or as, a nonprofit public benefit corporation is not liable for the debts or obligations of the charter school, or for claims arising from the performance of acts, errors, or omissions by the charter school, if the authority has complied with all oversight responsibilities required by law, including, but not limited to, those required by Section 47604.32 and subdivision (m) of Section 47605.
 - d. Charter schools that are operated as nonprofit public benefit corporations:
 - i. Are not included in the district's budget.
 - ii. File separate financial reports to the state (Charter SACS or Charter Alternative Form).

Charter Schools

- iii. Are not included in the district's annual audit; these entities have a separate audit.

G. Direct Funded Charter Schools (Education Code Section 47651)

1. Education Code Section 47651 authorizes a charter school to receive its state aid portion of the charter school's total general-purpose entitlement and categorical block grant directly or through the local educational agency that either grants its charter or was designated by the State Board of Education.
2. When the charter school chooses to receive its funding directly, the warrant is drawn in favor of the superintendent of schools of the county.
3. The county superintendent of schools is authorized to establish appropriate funds or accounts in the county treasury for each charter school.

H. Inquiries (Education Code Section 47604.3)

Requires charter schools to respond promptly to all reasonable inquiries, including, but not limited to:

Inquiries regarding its financial records, from its chartering authority, the county office of education that has jurisdiction over the school's chartering authority, or from the SPI and to consult with the chartering authority, the county office of education, or the SPI regarding those inquiries.

I. Responsibilities of Chartering Authority (Education Code Section 47604.32)

Requires each chartering authority to:

1. Identify at least one staff member as a contact person for the charter school.
2. Visit each charter school at least annually.
3. Ensure that each charter school under its authority complies with all reports required of charter schools by law.
4. Monitor the fiscal condition of each charter school under its authority.
5. Provide timely notification to the department if any of the following circumstances occur or will occur with regard to a charter school for which it is the chartering authority:
 - a. A renewal of the charter is granted or denied.
 - b. The charter is revoked.

- c. The charter school will cease operation for any reason.
- 6. The cost of performing these duties will be funded with the supervisorial oversight fees collected pursuant to Section 47613.

J. Financial Reports (Education Code Section 47604.33)

1. Requires each charter school to annually prepare and submit financial reports to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority. County offices of education may encourage chartering authorities to standardized reporting formats. The charter memo of understanding can detail mutually agreed upon reporting forms. Many agreements currently request the submission of reports similar to those required by SACS or the SACS alternative object driven format. The following reports are required:
 - a. On or before July 1, a preliminary budget. For a charter school in its first year of operation, the information submitted pursuant to subdivision (g) of Section 47605 satisfies this requirement.
 - b. On or before December 15, an interim financial report. This report shall reflect changes through October 31.
 - c. On or before March 15, a second interim financial report. This report shall reflect changes through January 31.
2. On or before September 15, a final unaudited report for the full prior year must be submitted to the chartering authority, the county superintendent of schools or only to the county superintendent of schools if the county board of education is the chartering authority, and to the California Department of Education (CDE).
 - a. Pursuant to Education Code Section 42100, the charter school shall approve their annual statement of all receipts and expenditures of the charter school for the preceding fiscal year (unaudited actuals) in the format prescribed by the Superintendent of Public Instruction (SPI).
 - b. These reports must be submitted to the chartering authority for signature, then forwarded to the county superintendent of schools, or submitted only to the county superintendent of schools if the county board of education is the chartering authority. The county superintendent of schools must verify the mathematical accuracy of the form and submit the report to the CDE in the manner prescribed by the CDE, on or before October 15.
3. The chartering authority shall use any financial information it obtains from the charter school including, but not limited to, the reports required by this section, to assess the fiscal condition of the charter school

Charter Schools

4. The cost of performing these duties shall be funded with the supervisorial oversight collected pursuant to Section 47613.

K. County Office Authority (Education Code Section 47604.4 and 1241.5c)

1. Authorizes the county superintendent of schools, to monitor the operations of a charter school within the county and conduct an investigation into the operations of that charter school, based on parental complaints or other information.
2. Limits the liability of the county office of education when conducting monitoring or investigation activities to the cost of the investigation.
3. Requires charter schools to notify the county superintendent of schools of the county in which it is located of the location of the charter school, including the location of each site, if applicable, prior to commencing operations.
4. At any time, the county superintendent may review or audit the expenditures and internal controls of any charter school if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred (Extraordinary Audit).
 - a. The review or audit shall be conducted in a timely and efficient manner.
 - b. Within 45 days of the completed review, audit, or examination, the county superintendent must report the findings and recommendations to the governing board of the charter at a regularly scheduled meeting and provide a copy of the information to the chartering authority.
 - c. No later than 15 calendar days after receipt of the report, the charter school governing board must notify the county superintendent and its chartering authority of its proposed response to the recommendations.
 - d. If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent should notify the governing board of the charter school, the chartering authority, the State Controller, the Superintendent of Public Instruction, and the local district attorney (Education Code 42638).

L. Annual Audits

1. Each charter school must have an annual audit [Education Code 47605(b)(5)(I)]
2. If the charter school is operating as a part of the authorizing school district or county office of education, the charter school is included in the annual audit of the school district or county office of education.

3. Education Code Section 47605:

Charter schools must submit a copy of their annual audit report to the chartering entity, the Controller, the county superintendent of schools in which the charter school is sited, and the California Department of Education by December 15 of each year. This only applies if the charter school is a nonprofit corporation.

4. On or before May 31 of each year, county offices are asked by the State Controller to confirm that all school districts, certain joint powers entities and charter schools have arranged for their annual audit. The chartering authority should be asked to provide the information regarding the audit engagement for each charter under their authority to the county superintendent by April 1. The information requested is:
- The name, the charter number, and the CDS # of the charter.
 - The name and address of the contracted CPA firm.
 - The fiscal years(s) covered by the audit contract.
 - The audit fee for each fiscal year.

M. Duration of the Charter (Education Code Section 47607)

- Authorizes a charter for a period not to exceed five years.
- authorizes one or more renewals for a period of five years (for each renewal).
- Charter schools may only make material revisions of their charter petition with the approval of the authority that granted the charter.

N. Revocation of the Charter (Education Code Section 47607)

- The authority that granted the charter may revoke the charter if the authority finds that the charter school did any of the following:
 - Committed a material violation of any of the conditions, standards, or procedures in the charter.
 - Failed to meet or pursue any of the pupil outcomes identified in the charter.
 - Failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement.
 - Violated any provision of law.

Charter Schools

2. Prior to the revocation, the authority that granted the charter must notify the charter school of any violations and give the school a reasonable opportunity to cure the violation, unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils.
3. Education Code Section 47604.5 also authorizes the State Board of Education, whether or not it is the authority that granted the charter, to revoke the charter when the board finds any of the following:
 - a. Gross financial mismanagement that jeopardizes the financial stability of the charter school.
 - b. Illegal or substantially improper use of charter school funds for the personal benefit of any officer, director, or fiduciary of the charter school.
 - c. Substantial and sustained departure from measurably successful practices such that continued departure would jeopardize the educational development of the school's pupils.

O. Charter Closures

1. Dissolution of charter assets should be detailed in the petition and/or memo of understanding between the charter authority and the charter (Education Code Section 47605). Due to timing of apportionments, the county superintendent or county treasury often ends up with state aid dollars in their possession after the closure of a charter. Unearned dollars (advance apportionment for closed charter without average daily attendance) should be communicated to the CDE for retrieval, generally at the next apportionment certification cycle. All other funds need to be communicated with the granting authority to determine the process for the retrieval of funds.
2. If the county superintendent is the charter authority of the closing charter, the county should send a notice of the school closure to the Charter Schools Unit at the CDE (Education Code Section 47604.32). The Notification should include the following:
 - a. The charter school name, number and CDS code.
 - b. The date of closure action and effective date of the closure if different.
 - c. The reason for the closure and if was revoked, not renewed, or other reason.
3. The charter authority should ensure that student and school records are secured and that the student records are transferred to the students' district of enrollment eligibility.
4. The charter school and/or the charter authority should have a financial close-out of the charter school completed within 6 months after closure.

5. Attachments to this procedure include recommended closure guidelines from CDE's Web site
<http://www.cde.ca.gov/sp/cs/lr/csclosurerules.asp>.

P. Funding

1. **Funding equal to similar school district:** The Legislature's intent is to provide each charter school with funding equal to funding that would be available to a similar school district serving a similar population, except charter schools would not be funded as necessary small schools and would not receive more than the statewide average revenue limit. Also, the funding method is designed to be simple and give charter schools the option of local or direct allocation of their funding. (Education Code Section 47630).
2. **Sources of funding:** Charter schools funded pursuant to the charter school funding model receive state and local funds from three sources:
 - a. General-purpose entitlement, provided from a combination of state and local sources in an amount per unit of average daily attendance in specified grade level spans (Education Code Sections 47633 and 47635).
 - b. Charter school categorical block grant funds, provided in lieu of separate funding for specific categorical programs, and in an amount per unit of average daily attendance in specified grade level spans (Education Code Section 47634.1).
 - c. Funds provided in lieu of Economic Impact Aid (Education Code Section 47634.1).
3. **Local Aid portion of General-purpose entitlement:** Charter schools will receive a portion of the General-purpose entitlement from local funds that are transferred from the sponsoring local educational agency (LEA) in lieu of local property taxes.
 - a. **Definition of Sponsoring LEA:** *The sponsoring LEA* is defined as:
 - i. The district that granted the charter.
 - ii. In the case of a charter that was denied by a district and subsequently approved by a county office, the district that initially denied the charter.
 - iii. In the case of a charter approved by the SBE, any LEA that agrees to be the sponsor, or the LEA that denied the charter if no other LEA has been designated as the sponsor.
 - iv. In a county-approved county community school charter, for students who are referred by parental request pursuant to *EC* Section 1981(b), the sponsoring LEA is the district of residence of each pupil in the school.

Charter Schools

- b. **Calculation of the Local Aid Portion:** The annual amount to transfer in lieu of local property taxes from the sponsoring LEA to the charter school is the lesser of:
 - i. The average amount of property taxes per unit of ADA (including ADA attributable to charter schools) received by the LEA, multiplied by the charter school's ADA.
 - ii. The charter school's General Purpose Entitlement
 - iii. A county-approved county community school charter will need to collect the local in-lieu property taxes from the district of residence based on this calculation. CDE provides an excel worksheet on the principal apportionment web page that reflects the principal apportionment certified calculation of charter property tax amounts per ADA at P-1, P-2, and annual certifications.
- c. **Exception for transfers from Basic Aid district to non-Basic Aid district:** When the transfer in lieu of property taxes is from a sponsoring LEA that is a Basic Aid district to a charter in a non-Basic Aid district, there is an exemption from the normal calculation for pupils who reside in, and are otherwise eligible to attend a school in, the basic aid district, but who attend a charter school in a non-basic aid school district that limits the transfer to the charter's revenue limit calculation as long as it doesn't exceed the property tax per unit of ADA (Education Code Section 47635(b)(5)). This section has not been implemented.
- d. **Schedule of Transfers in Lieu of Property Taxes:** The transfers in lieu of property taxes to charter schools are to be monthly. Each monthly amount represents a specified percent of the estimated annual in lieu of property tax amount (Education Code Section 47635).
 - i. The monthly installments of funding in lieu of property taxes are to be transferred to the charter school by no later than the 15th of each month.
 - ii. For August through February, the estimated annual amount to transfer is calculated based on property taxes received by the sponsoring local educational agency during the preceding fiscal year and ADA certified in the prior year's P-2 Principal Apportionment, and the following percentages are applied:
 - a) Six percent in August
 - b) Twelve percent in September
 - c) Eight percent each month in October, November, December, January and February

- iii. For March through June, the estimated annual amount to transfer is calculated based on property taxes estimated to be received by the sponsoring LEA during the fiscal year and ADA certified in the current year's P-1 Principal Apportionment. The amount to transfer in March through June is the difference between the estimated annual amount and the amount already transferred in August through February at the following fractions:
 - a) Two-sixths in March
 - b) One-sixth each month in April, May, and June
- iv. For July, the estimated annual amount to transfer is calculated based on property taxes estimated to be received by the sponsoring local educational agency during the prior fiscal year and ADA certified in the prior year's P-2 Principal Apportionment. The amount to transfer in July is the difference between the estimated annual amount and the amount already transferred in August through June.
- v. Final adjustments to the amount of funding in lieu of property taxes allocated to a charter school are made in February in the subsequent year, in conjunction with the final reconciliation of annual apportionments to schools.
- vi. A countywide charter's state aid block grant funding amount is determined without deduction of any property tax calculation. The CDE provides the total per ADA block grant funding unless the student's district of residence is a basic aid district. The countywide charter school must then contact the resident basic aid district to receive funding.
- e. **Adjustment for Sponsoring LEA:** For purposes of the Revenue Limit calculation for the sponsoring LEA, the property taxes received by the sponsoring LEA are reduced by the amount of funding in lieu of property taxes allocated to charter schools. (Education Code 47662).

Q. Certification of Attendance Reports (Education Code 1245).

The county superintendent must sign several reports that are filed by a charter school. Upon review of the information, the county superintendent or the charter authority may determine that they cannot certify the information and choose to use the non-certification block with written detail of the reason attached. The attendance software forms provide a comment section to allow the county superintendent or a charter authority to state that they are not certifying the data and the reasons why they cannot certify the attendance information.

1. Charter Annual Survey –Online
(<http://www.cde.ca.gov/sp/cs/ac/csfndsvy0809.asp>). New Charters must complete Grade Level and Economically/Disadvantage report section and send to district and to the COE for signatures. Attendance estimate is used for advance apportionment distribution. Generally due to the CDE by May 31 but often accepted through July for September advance apportionment distribution.
2. New Charter 20-Day Actual Attendance Certification – On-line
(<http://www.cde.ca.gov/fg/aa/pa/ch20dayactual0809.asp>). Grade Level and Economic Disadvantage student report used to adjust second advance apportionment distribution for actual attendance values for the first month of Charter pupil attendance. The report is generally due to CDE by October 31.
3. Continuing Charter School Grade New Level – On-line
(<http://www3.cde.ca.gov/CharterSchoolSurvey/displaysurvey.aspx>). Grade Level information used to provide advance state aid for planned grade expansion. The report is included in the annual Charter School Funding Survey, which is generally due to the CDE by May 31 but often accepted through July for September advance apportionment distribution.
4. Charter School New Grade Level 20 Day Actual Attendance Certification – On-line
(<http://www.cde.ca.gov/fg/aa/pa/ch20dayinstrngl08.asp>). Grade Level report used to provide advance state aid for planned grade expansion. Grade Level report used to adjust second advance apportionment distribution for actual attendance values. The report is generally due to the CDE by October 31.
5. P-1, P-2, and annual attendance reports are due at the same reporting period deadlines as K-12 school district attendance reports. Reports are filed using state software with signed certifications provided by the charter to the chartering authority and the county superintendent. Reports may be revised using the same process and regulations of K-12 revisions.
6. Attachments to this procedure include the CDE's New Charter 20-Day Actual Attendance and Continuing Charter School New Grade Level Actual Attendance certification forms.

II. COUNTY OFFICE PROCEDURES

A. At a minimum, the county office of education needs:

1. A list of all charter schools in the county.
2. The legal status of each charter school.

B. County offices of education have certain legal responsibilities for charter schools as outlined in this procedure.

1. At a minimum, the county must comply with all legal requirements.
2. County offices of education may choose to provide more services or oversight at their discretion.

C. Approving Charter School Petitions

Attachments to this section include a sample matrix that counties may use to evaluate a charter school petition submitted to the county office of education.

D. Direct Funded Charter Schools

When a charter school is direct funded, county offices may establish a fund or funds to account for these funds in the county treasury.

E. Oversight of Charter Schools

1. Although Education Code Section 47604.33 requires charter schools to submit a preliminary budget, two interim reports, and a final unaudited report to the county office of education, the law does not indicate that the county is responsible for any specific level of fiscal oversight. Therefore, once the county office of education receives these reports, it is up to the county to decide what level of review it will perform.
2. Education Code Section 47604.32 requires each chartering authority to monitor the fiscal condition of each charter school under its authority. If the county office of education is not the chartering authority, it may still provide additional fiscal oversight as a service to the school districts in the county.
3. One COE has chosen to provide oversight to all charter schools in the county consistent with its oversight for all other school districts in the county.
4. Attachments to this section include a sample legal opinion obtained by a COE that supports the manner in which the county is providing oversight of the charter schools in the county.

5. Attachments to this section include current documents that have been developed by COEs as examples of the oversight process:
 - a. Request for Information
 - b. Monitoring Activities
 - c. Guidelines for Budget Development
 - d. Charter School Review Templates

III. LEGAL CITATIONS

Education Code

A. Section 1241.5(c)

County superintendent may review or audit the expenditures and internal controls if there is reason to believe that fraud, misappropriation of fund, or other illegal fiscal practices have occurred.

B. Section 1245

Requires the county office of education to submit reports required by the Superintendent of Public Instruction.

C. Section 1628

Requires the county office of education to file financial statements for those charter schools approved by the county.

D. Sections 17078.5 – 17078.64

Charter school facilities funded with the proceeds of state bonds authorized after January 1, 2002.

E. Sections 41365 – 41367

Charter School Revolving Loan Fund

F. Section 42100

Requires charter schools to approve, on or before September 15, an annual statement of all receipts and expenditures in a format prescribed by the SPI. The charter school must file the statement with the sponsoring agency.

G. Sections 42238.51 – 42238.53

Computing the average daily attendance.

H. Sections 47600 – 47604.5

The Charter Schools Act of 1993. Authority for charter schools to elect to operate as, or be operated by, a nonprofit public benefit corporation.

I. Sections 47605 – 47608

Charter school petitions.

J. Section 47610

Exemption of charter schools from the laws governing school districts.

K. Section 47611

Charter schools choosing to make the State Teacher's Retirement (STRS) Plan or the Public Employees' Retirement System (PERS) available to employees.

L. Section 47611.3

Authorization for the chartering authority to create STRS and PERS reports.

M. Section 47611.5

Authority of the Public Employment Relations Board.

N. Sections 47612 – 47612.1

Age and residency requirements for charter school pupils.

O. Section 47612.5

Information on:

- The conditions of apportionment
- Instructional minutes
- Maintaining attendance documentation
- State testing program certification
- Independent study requirements
- Non-classroom-based instruction

P. Section 47613

Authority to charge an amount not to exceed 1% of the revenue of the charter school for the oversight of the charter school by the chartering agency. The chartering agency may charge 3% if the charter school received rent-free facilities.

Q. Section 47613.1

Charter schools that do not receive block-grant funding.

R. Section 47614

Availability of public school facilities for charter schools.

S. Section 47614.5

Establishes the Charter School Facility Grant Program.

T. Section 47615

Establishes that charter schools are part of the public school system.

U. Sections 47620 – 47625

Elementary school that has been operated by the University of California at the Los Angeles campus.

V. Sections 47630 – 47632.5

Funding for charter schools.

W. Section 47633

Computation of the general-purpose entitlement.

X. Section 47634

Computation of the categorical block grant.

Y. Section 47634.2

Funds for non-classroom-based instruction.

Z. Section 47634.3

Computation of average daily attendance for purposes of section 47633 and 47634.

AA. Section 47634.5

Requirements for the Department of Finance to provide certain information.

BB. Section 47635

Transfer of in-lieu taxes to charter schools.

CC. Sections 47636 – 47638

Eligibility for federal and state categorical funds.

DD. Section 47640

Defines a charter school as a local educational agency.

EE. Sections 47641 – 47647

Participation in a special education local plan (SELPA).

FF. Sections 47650 – 47651

Direct funding versus funding through the local educational agency.

GG. Section 47652

Funding in the first year of operation.

HH. Sections 47660 – 47664

Funding for the sponsoring agency.

II. Sections 51745 – 51749.3

Independent study.

JJ. Sections 60240 – 60252

State Instructional Materials Fund.

Attachments referenced in this section are contained in the electronic version of this manual, which may be viewed and downloaded at www.fcmat.org.

CHARTER SCHOOL REPORT REVIEW

Fiscal Year :

2008-09

CHARTER SCHOOL: _____

Review Period:

Adopted Budget (7/1)

☐

First Interim (10/31)

☐

Second Interim (01/31)

☐

Actuals (6/30)

☐

Standard	Description	Standard Met	
		Yes	No
1	Budgeted ADA has not been substantially overestimated		
2	Projected enrollment has not been substantially overestimated		
3	Projected ADA to enrollment ratio is consistent with historical ratios		
4	Deficit Sending is within reasonable levels.		
5	Budgeted Fund balance trends are not constantly declining		
6	Reasonable Reserves are maintained		
7	Projected Salary Costs are reasonable for staffing FTE and COLA		
8	General Purpose State Aid is reasonably projected		
9	In-Lieu of Property Tax Revenue is reasonably projected		
10	Categorical Block Grant Revenue is reasonably projected		
11	Lottery Revenue is reasonably projected		
12	Facilities Costs are reasonable		
13	Debt incurred has revenue source for repayment		
14	Estimated Actuals appear to be reasonable		
15	Administrative Costs have been budgeted		
16	Cash Flow Projections are reasonable and sufficient.		
17	Assumptions provided for report are reasonable		
18	Multi-Year Projections are reasonable		
19	Does the Audit report confirm adequate fiscal controls and records		
20	Detail Charter Report Review completed and district actions specified		

Review Completed By: _____

Title: _____

Date: _____

Phone # _____

Riverside County Office of Education

**3939 13th Street
Riverside, California 92501**



Application Packet For the Establishment of a Countywide Benefit Charter School

Charter Schools Unit
Division of Administration and Business Services
(951) 826-6448

Printed by Riverside County Office of Education



RIVERSIDE COUNTY OFFICE OF EDUCATION

3939 13th Street
Riverside, California 92501
Telephone (951) 826-6448 Fax (951) 826-6363

Application Packet for the Establishment of a Countywide Benefit Charter School

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Riverside County Office of Education Riverside, California

Application Packet for the Establishment of a Countywide Benefit Charter School

T I M E L I N E

Action	Timeline
1. Petitioner submits Notice of Intent (Form A)	When petitioner determines that proposed charter school petition meets the RCOE Board-approved "Approval Requirements for a Countywide Benefit Charter School" (pages 6-8)
2. Petitioner submits: <ul style="list-style-type: none"> ▪ Items listed in section A on page 3 of this packet ▪ Petition for a Countywide Charter School containing the required elements in EC 47605.6 ▪ Charter Petition Review Matrix indicating where each of the required elements can be located in the petition. ("Found on page") column on left side of each page of the matrix) 	When petitioner determines that the required documents are completed as described
3. Upon determination that the documents submitted are sufficient, a public hearing is held	60 days from receipt of required documents
4. Decision by the Board of Education	90 days from receipt of required documents
5. Agreement by petitioner and RCOE that additional time is required (optional)	30 day extension of timeline

Only complete application packets will be reviewed.

The charter review timeline becomes effective after all of the above have been completed and submitted.



Charter Application Process

PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL Riverside County Office of Education

The Board of Education and the staff of the Riverside County Office of Education (RCOE) view the responsibility to provide a quality education to all of the children in Riverside County as a serious undertaking. In that light, we are interested in authorizing only high quality charter schools that:

- Share our vision of equity and success for all students in Riverside County
- Implement innovative and effective approaches to educating students
- Implement effective instructional strategies to serve underperforming populations
- Narrow the achievement gap among students of various backgrounds
- Demonstrate fiscal viability
- Provide sound governance that is free of conflict of interest

The foundational document guiding all charter school operations is the charter. An approved charter is a performance contract between RCOE and the charter school. As such, terms of the contract must be delineated as clearly as possible, especially with regards to student performance measures. A comprehensive well-written petition provides clear operating procedures for the charter school and objective measures to which RCOE will hold the charter school accountable. It is recommended that petitioners use the California School Board Model Charter School Petition as a standard for developing a petition. This document is available online at: <http://www.cde.ca.gov/sp/cs/re/documents/modelcsappnov03.doc>.

This application packet is designed to give petitioners a clear outline of what RCOE considers to be a "reasonably comprehensive" charter petition.

Starting a charter school is hard work, and the foundation must be well laid in order to ensure success!

A. Submitting the Application

Only complete application packets will be reviewed.

The charter review timeline becomes effective after all of the following have been submitted.

Please assemble three (3) binders containing the following items with tabs separating each numbered requirement.

- ☐ 1. Table of Contents
- ☐ 2. Required Forms
 - ☐ Notice of Intent to Apply for a Charter School *Form A*
 - ☐ Applicant Information for each Lead Petitioner *Form B*
 - ☐ Applicant Information for School Director/Principal *Form B*
 - ☐ Applicant Information for On-site Financial Manager *Form B*
 - ☐ Charter Information *Form C*
 - ☐ Request for Information from Prospective Board Members *Form D*
1 per member
- ☐ 3. Articles of Incorporation for the non-profit organization (or explanation of why these have not yet been developed)
- ☐ 4. By-laws for the non-profit organization that is requesting the charter (or explanation of why these have not yet been developed)
- ☐ 5. Resumes and credentials for all meaningfully interested teachers
- ☐ 6. Proposed budget (start-up and three year budgets)

Please provide fifteen (15) copies and one CD of the following:

- ☐ A. Charter Petition with original signature pages (50%) of either parents meaningfully interested in enrolling their child at the school or teachers meaningfully interested in teaching at the School
- ☐ B. RCOE Charter Review Matrix with page numbers identifying the location of required information indicated in the second column of the matrix

The above items must be hand delivered to the Charters Schools Unit of the Riverside County Office of Education
3939 13th Street, Riverside, CA



Charter Application Process
PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education

B. Petition Review

The petition for a charter school is reviewed utilizing the Riverside County Office of Education "Approval Requirements for a Countywide Benefit Charter School" and the "Charter Petition Review" matrix of requirements of EC 47605.6 presented as a part of this application packet.

According to California Code of Regulations, 5 CCR s 11967.5.1 (g) A "reasonably comprehensive" description, within the meaning of subdivision (f) of this section and Education Code section 47605(b)(5) shall include, but not be limited to, information that:

- (1) Is substantive and is not, for example, a listing of topics with little elaboration.
- (2) For elements that have multiple aspects, addresses essentially all aspects of the elements, not just selected aspects
- (3) Is specific to the charter petition being proposed, not to charter schools, or charter petitions generally.
- (4) Describes, as applicable among the different elements, how the charter school will:
 - (A) Improve pupil learning
 - (B) Increase learning opportunities for its pupils, particularly pupils who have been identified as academically low achieving
 - (C) Provide parents, guardians, and pupils with expanded educational opportunities
 - (D) Hold itself accountable for measurable, performance-based pupil outcomes
 - (E) Provide vigorous competition with other public school options available to parents, guardians, and students

The Riverside County Governing Board and RCOE staff views 5 CCR s 11967.5.1 (g) as meaningful guidelines for reviewing charter applications and have incorporated this guidance into the "Charter Petition Review" matrix.

C. Petition Team Capacity Interview

In addition to a review of the charter petition the Charter Schools Unit will hold an interview with the petitioner team and the Board of Directors to gauge the experience and expertise of its members in the areas of:

- Curriculum, instruction and assessment
- Finance and business operation
- School administration, including on-site leadership and on-site financial management
- School governance

This interview is mandatory and must be attended by members of the petitioner team who have expertise in all of the above areas. If a Board of Directors has been identified at least two must attend the interview.

D. Board of Education Approval Process

Within the guidelines delineated in Education code § 47605.6, the Riverside County Board of Education will make a final decision regarding the granting or denial of the charter petition. Petitions may be approved with conditions, including but not limited to the following:

- For a classroom-based program, that a site be secured with an appropriate Certificate of Occupancy 45 days prior to the opening of school
- That the school's student recruitment process not begin until the above condition has been met
- That a qualified principal be hired prior to the opening of the school and that the charter school notify Riverside County Office of Education's Charter Schools Unit 45 days prior to the opening of the school
- That the charter school and the Riverside County Office of Education ensure that all required Memorandums of Understanding (MOUs) have been addressed

The Board of Education will not deny a petition unless it makes written factual findings setting forth specific facts to support one or more of the following:

- The charter school presents an unsound educational program for students
- The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition
- The petition does not contain the required number of signatures
- The petition does not contain the necessary affirmations
- The petition does not contain reasonably comprehensive descriptions of the required elements for a county-authorized charter school

Please do not hesitate to contact the Charter Schools Unit
of the
Administration and Business Services Division at
(951) 826-6448 if you have any questions about the application process.

Email inquiries can be addressed to pcrawford@rcoe.us

BOARD POLICY

Riverside County Office of Education

BP 0420.41
Attachment-A
1 of 3

Submission of Countywide Benefit Charter School Petitions to the County Board of Education

Approval Requirements for a Countywide Benefit Charter School

(a) A petition to establish a countywide benefit charter school pursuant to Education Code section 47605.6 shall:

- (1) Comply with all statutory requirements otherwise applicable to charter schools.
- (2) If applicable, comply with all requirements of law relative to the provision of independent study.

A charter that does not expressly provide for independent study shall not be interpreted as allowing independent study beyond that which is incidental and required to address the temporary needs of particular students.

- (3) Describe how an annual independent audit of the countywide benefit charter school will be conducted in keeping with applicable statute and regulation and indicate how the countywide benefit charter school's individual sites will be appropriately included in the audit process.

- (4) Incorporate a plan that provides for initial commencement of instruction which shall describe how the instructional services will provide a countywide benefit that cannot be provided by a charter school operating in only one school district.

- (5) Include an assurance that the instructional services for similar student populations described in the charter will be essentially similar at each site and, thus, that each pupil's educational experience will be reasonably the same with regard to instructional methods, instructional materials, staffing configuration, personnel requirements, course offerings, and class schedules.

A countywide benefit charter school that provides more than one type of educational setting (i.e. learning centers and academies) shall describe how the provision of instruction described above will be essentially similar at each site providing the same type of educational setting.

- (6) Describe how the countywide benefit charter school will participate as a member of a special education local plan area, and ensure a coordinated structure for the provision of necessary programs and services specific to students with Individual Education Programs (IEPs).

- (7) Describe how local community input for each school included in the plan was solicited (or will be solicited). Satisfaction of this paragraph shall involve the holding of at least one publicly noticed meeting for each school, with a summary of the input received at the meeting(s) being provided.

Approved September 12, 2007

(update: Jy. 07)

Riverside County Office of Education "The Success of All Students is our Focus"

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(8) Contain sufficient signatures either of parents, guardians, or of teachers in keeping with Education Code § 47605.6(b) (3) for each school proposed in the first year.

(9) Include an assurance that the school districts where each school will be located will be notified at least 120 days prior to commencement of instruction.

(10) Address all charter elements specified in Education Code section 47605.6 and included in the Riverside County Office of Education Charter Petition Review Matrix.

(11) Contain or address any provisions or conditions specified by the County Board of Education at the time of charter approval.

(12) Charter schools proposing to operate more than one site:

(A) Provide a list identifying each school that will be operated by the countywide benefit charter school that includes:

- (1) A timeline for the commencement of instruction at each school. Commencement of instruction must begin during the term of the charter.
A school in its first year of operation may only commence instruction between July 1 and September 30 of the year in which it proposes to commence operation.
- (2) The general location of each school and the school district in which each school is to be located.
- (3) A description of the potential facilities to be used at each school.

(B) Contain a plan for operations of the countywide benefit charter school that describes the distinction between centralized and individual school level responsibilities and includes a staffing plan to implement the activities at the designated level. The plan shall address countywide benefit charter school operations including, but not limited to:

- | | |
|---------------------------------------|-------------------------------|
| (1) Academic program | (4) Financial administration |
| (2) Facilities and school operations | (5) Governance |
| (3) Legal and programmatic compliance | (6) Decision-making authority |

(b) "Instructional services of a countywide benefit", as referenced in Education Code section 47605.6(b), shall include, but not be limited to, the following factors:

(1) Unique factors and circumstances related to the countywide benefit charter school's educational program that can only be accomplished as a countywide benefit charter and not as a single district, including specific benefits to each of the following:

(A) The pupils who would attend the countywide benefit charter school,

- (B) The communities, including school district(s) in which the individual schools would be located (e.g., in terms of pupil demographics and performance),
- (C) Riverside County, to the extent applicable, and
- (D) The countywide benefit charter school itself (e.g., in fundraising, community partnerships, or relationships with institutions of higher education).

(2) Neither an administrative benefit to a charter operator, nor a desire by a charter operator to provide services in more than one district, shall be considered sufficient in and of itself to constitute a countywide benefit.

(c) Following its submission, a petition to establish a countywide benefit charter school may be modified, or new schools added that were not included in the original petition, only with the approval of the County Board of Education.

(d) Each countywide benefit charter school shall provide an annual report to the County Board of Education reflecting student achievement data, performance benchmarks, and other pertinent data supporting stated charter goals.

(e) For purposes of EC Section 47605.6(b) (5) (H), the racial and ethnic balance of a county-wide charter shall be reflective of the county as a whole, rather than of a specific district.

NOTE: Authority cited: §47605.6, Education Code.

Application Packet for the
Establishment of a Countywide Benefit Charter School

REQUIRED FORMS



Form A	Notice of Intent to Apply for a Charter School
Form B	Applicant Information
Form C	Charter Information
Form C-2	Charter Information for a Current Charter School Operating in Adjacent County
Form D	Request for Information from Prospective Charter School Board Members

Reference Document

Attachment A	Riverside County SELPA charter Policy
--------------	---------------------------------------

Electronic versions of the forms can be requested by emailing
pcrawford@rcoe.us



Notice of Intent to Apply for a Charter School
PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
 Riverside County Office of Education

CHARTER SCHOOL INFORMATION

Name of proposed charter school: _____

General location (including district) of proposed school: _____

Projected grade levels: _____ Projected enrollment: _____ Goal date for opening school: _____

LEAD PETITIONER INFORMATION

Name of lead petitioner: _____

Address: _____ City: _____ Zip: _____

Daytime Phone Number(s): _____ FAX _____

Email address: _____

LIST CHARTER DEVELOPMENT TEAM MEMBERS

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

JUSTIFICATION FOR COUNTYWIDE CHARTER SCHOOL

Provide an explanation of why the unique services of your charter school cannot be offered through a charter that operates in only one school district.

EC 47605.6(a) (1) A county board of education may only approve a countywide charter if it finds, in addition to the other requirements of this section, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well as a charter school that operates in only one school district in the county.

CERTIFICATION

I/we certify that we are interested in applying for a Countywide Charter School within Riverside County.

Print Name: _____ Signature: _____ Date: _____

OFFICE USE ONLY

Received by: _____

Print Name: _____ Signature: _____ Date: _____



Applicant Information
PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education

Applicant Information – ATTACH RESUME

Applicant's Position with Charter School: <input type="checkbox"/> Lead Petitioner <input type="checkbox"/> Director/Principal <input type="checkbox"/> On-Site Financial Manager		
Name of Applicant (First/Middle/Last) :		
Other Names Used (i.e. Maiden/Former Married):		
Current Address:		
City:	State:	Zip:

Background Information

Include this information in the attached resume:

- Education History
- Employment History – If applicable, include previous experience with Charter Schools
- Professional Licenses/Credentials
- Professional Affiliations (Corporate Positions, Board Positions, etc)
- Fictitious Business Name Affiliations
- Professional References
- If applicable – Arrests and/or Convictions

Proposed Charter School

Charter School Name:		
Address (if available):		
City:	State:	Zip:
Legal Entity Behind Charter School (if available)		
Other Charter Schools with which Affiliated (prior and current):		
Location of Other Charter Schools:		

Authorization to release Information

My signature affirms that all information on this application is true to the best of my knowledge. Further, I authorize all employers, institutions, government agencies and persons named as references to release information for use in establishing my qualifications and credentials for this position: This authorization:

- Removes all liability from those who provide information and verification in response to any information I have stated in applying on behalf of the above referenced Charter School.
- Releases the Riverside County Office of Education and any agent acting on its behalf from any and all liability of whatever nature in requesting or using such information to assess my candidacy on behalf of the above referenced Charter School.
- Is valid during my entire candidacy and during any resulting period of employment with the above referenced Charter School.
- Is an indication of my knowledge and understanding that the information provided in this application will be used to examine by background and my knowing and voluntary agreement to the background information being publicly disclosed as part of the charter/renewal petition and review process.

Signature

Applicant Signature:		
Title:	Date:	
OFFICE USE ONLY		
Charter School Application Process by:		
Phone:	Fax:	E-mail:



Charter Information

PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education

This page is to be submitted with your final charter petition. The information you supply will be incorporated into the Board Report that will be submitted to the Riverside County Board of Education on your behalf. Use additional pages as needed to provide the following information:

1. Name of organization or individuals applying for charter: _____

2. Grade levels to be served by the proposed charter school: _____
3. Number of students proposed to be served: _____
4. Location address or target districts: _____
5. Proposed instructional setting(s): _____
6. Facility status and location(s): _____
7. Board of Directors: (list):

8. Source(s) of money for start-up: _____

9. 3-5 top leaders and their positions::

Leader	Position
_____	_____
_____	_____
_____	_____
10. Have you submitted your charter to any other jurisdiction for approval? ____ Yes ____ No
If yes, where? _____
11. Are there any "sister" charters? ____ Yes ____ No
If yes, indicated where located: _____

12. Under which SELPA do you intend to provide Special Education Services: _____
Contact information for SELPA : _____
If Riverside County SELPA, please note that their Local Plan requires a consultation with the SELPA Director prior to approval of a charter. (See Attachment A,)
13. Provide information on any management company with which your charter school will contract.
Use additional pages, if necessary
Name and Contact Information for Management Company: _____ Service to be provided: _____



*PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education*

14. Provide a description of the Philosophy:
15. Rationale for why this unique charter school cannot be authorized by a district:
16. Describe the innovative elements of your charter that could be considered to be "best practices" and could be replicated by other schools:



**Charter Information for a Current Charter School
Operating in Adjacent County**

*PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education*

Existing Charters and Geographic Limitations

According to EC 47605.1(3)(c)(2) a charter school may establish a resource center, meeting space, or other satellite facility located in a county adjacent to the county in which the charter is authorized as long as the majority of the students served by the school are residents of the county in which the charter school is authorized.

Existing charter schools submitting petitions in response to the geographic limitations set by 47605.3(c)(2) must address the following:

- ☐ 1. Provide a copy of the governing board minutes for the meeting(s) where the submission of a petition to the Riverside County Office was discussed/approved
- ☐ 2. Provide evidence of the original charter school's incorporation as a non-profit public benefit corporation, if applicable
- ☐ 3. Provide a copy of the governing board minutes where a determination of whether the new charter will operate under the 501(c)(3) of the existing school or if it will form a separate non-profit public benefit corporation
- ☐ 4. Provide enrollment data showing the percentage of enrolled students residing in Riverside County and the percentage of enrolled students residing in the county of the authorizer of the current charter school
- ☐ 5. Provide a plan that reflects the division of staff, students, materials, and equipment between the two charter schools
- ☐ 6. Provide a plan that delineates the responsibility for debt shared by the two schools
- ☐ 7. Provide information regarding the liability for financial commitments related to facilities incurred by the "parent charter school" for sites that will be utilized by the proposed charter school
- ☐ 8. Indicate which SELPA will provide oversight in the provision of Special Education Services to the students enrolled in the proposed Riverside County Charter School?



**REQUEST FOR INFORMATION FROM
PROSPECTIVE CHARTER SCHOOL BOARD MEMBERS**
PETITION FOR ESTABLISHMENT OF A COUNTYWIDE CHARTER SCHOOL
Riverside County Office of Education

As you are already aware, serving on a public charter school board is a position of great trust and responsibility. As a board member of a public school, you are not only ultimately responsible for the education of all students enrolled in the school, but also entrusted with the obligation to see that the public monies which are given to the charter school are legally and wisely spent.

By providing the requested information prospective board members will assist the Charter Schools Unit in determining if the application demonstrates that the school will be run in a financially, organizationally and educationally sound manner.

Background

Will you be at least eighteen years old by January 1 of the year in which the proposed charter school would open? ☐ Yes ☐ No

Using this "Form D" as a cover sheet, submit typed responses to the inquiries on this page and page 12:

1. Indicate how you became aware of the proposed charter school and the opportunity to serve as a member of its board if it is chartered, including who invited you, if applicable, to sit on the board.
2. Explain why you wish to serve on the board.
3. Please indicate if you have previously served on a board of a school district or a not-for-profit corporation (including the board of a non-public school) and describe any relevant experience.
4. Describe your understanding of the appropriate role of a public charter school board member.
5. Indicate specifically the knowledge and experience that you would bring to the board.

Name (please print)

Signature

Date

RIVERSIDE COUNTY SELPA

Countywide Charter Application
Attachment A

PROVISION OF SPECIAL EDUCATION SERVICES TO STUDENTS VOLUNTARILY ENROLLED IN CHARTER SCHOOLS

Approved by Governance Council

December 6, 1999

(Revised 5/26/00)

(Revised 8/25/06)

INTRODUCTION

This policy applies to all charter schools that are chartered by an LEA in the Riverside County Special Education Local Plan Area (SELPA) Riverside County SELPA (hereinafter SELPA) or granted a charter on appeal by the Riverside County Board of Education or the State Board of Education in which oversight responsibilities have been assigned to a SELPA-member LEA. This policy only extends to a charter school that was chartered by, or assigned to, an entity that is a member of the SELPA.

As students enrolled in charter schools are entitled to special education services provided in a similar manner to students enrolled in other public schools, charter schools within the SELPA shall comply with all requirements of all applicable state and federal law regarding provision of special education services (Education Code § 56000 et seq., Individuals with Disabilities Education Act 20 U.S.C. Chapter 33). A charter school shall not discriminate against any pupil in its admission criteria on the basis of disability. Students enrolled in charter schools shall receive services in a manner similar to students enrolled in other public schools within the SELPA. The Charter School shall be treated as all other SELPA-member LEAs by the administrative unit and the SELPA Director.

Charter schools must delineate in their memorandum of understanding (MOU) the entity responsible for providing special education instruction and related services. This document must reference any anticipated transfer of special education funds between the granting LEA and the charter school and any provisions for sharing deficits and/or proration factors in funding. This document must affirm, in writing, that the district where the student resides, if different than the chartering LEA, is not responsible for providing special education services to students that are enrolled in the charter school.¹ The written agreement must also state that prior to final approval of a request to be deemed a local educational agency (LEA), the charter school will be deemed a public school within the chartering entity.²

SELPA INVOLVEMENT WITH APPROVAL AND RENEWAL OF CHARTERS

Prior to approval of a new charter school, or renewal of an existing charter school, the petitioner shall consult with both the superintendent or designee of the chartering entity and the SELPA Director to ensure that the charter school responds to district and SELPA guidelines and timelines as they related to special education. The petition presented must provide assurances that all eligible students enrolled in the charter school will receive appropriate special education services in accordance with appropriate state and federal law and the SELPA Local Plan for Special Education (Local Plan). The petition shall provide that no student otherwise eligible to enroll in the charter school will be denied enrollment due to a disability or to the charter school's inability to provide necessary services.³ Each charter petition must contain a reasonably comprehensive description of the charter school's educational program, as it relates to the provision of special education services, including the following:

¹ Requires the charter school to acknowledge in its MOU that the district where the student resides is not responsible for special education once the child leaves the district.

² The charter school is deemed a public school when first granted a petition and cannot be deemed an LEA in this SELPA until the charter school has complied with all procedures outlined in this policy.

³ Petitioner must confirm in writing that they will not discriminate due to disability.

- The specialized instruction and services available at the charter school;
- The procedures for ensuring that students are referred, assessed and served in a timely manner;
- Assurances that staff members providing special education services are appropriately credentialed;
- Assurances that the facility used by the charter school does not present physical barriers that would limit an eligible student's full participation in the educational and extracurricular program;⁴
- Disenrollment, suspension and expulsion policies and procedures must ensure that the protections of federal and state law are afforded to special education and 504 eligible students; and
- Dispute resolution procedures that will apply to any disputes between educational entities, including the SELPA, regarding the provision of special education services in the charter school.

Categories of Charter Schools

For the purposes of provision of special education services, charter schools shall be deemed either a public school within the chartering district or an LEA that receives funds and provides services independent of the chartering entity. All approved charter schools will be deemed public schools within the chartering entity until the charter school has been deemed an LEA following this policy and decision making process outlined in Section II, Governance and Administration of the Local Plan. The categorization as a separate LEA will become effective on the first day of the fiscal year (July 1), following final approval by the SELPA Governance Council.

A. Public School Within a School District or RCOE

Charter schools that are deemed to be public schools within the chartering entity will participate in state and federal funding in the same manner as other schools or programs within the chartering entity. The chartering entity will be responsible for ensuring that all children with disabilities enrolled in the charter school receive special education and designated instruction and services in a manner that is consistent with all applicable provisions of state and federal law. The chartering entity will determine the policies and procedures necessary to ensure that the protections of special education law extend to students in the charter school in the same manner as students enrolled in other schools or programs administered by the chartering entity.

The chartering entity will:

- Receive all applicable special education funds as specified in the SELPA's Assembly Bill (AB) 602 Funding Allocation Plan. The allocation per ADA in the charter school will be the same as that received by the chartering entity, if chartered by a district. If the chartering entity is the COE, the allocation for students enrolled in the charter school will be equal to the average allocation per ADA of member districts within the SELPA, excluding Desert Center Unified School District as this district is treated as a sparse LEA.
- Represent the needs of the charter school in the SELPA governance structure;
- Be responsible for ensuring that all eligible students enrolled in the charter school are appropriately referred, assessed and served in a timely manner;

⁴ Affirms charter school responsibilities under Section 504 of the Rehabilitation Act of 1973 (34 CFR 104) hereinafter "504".

- Be responsible for procuring and funding appropriate special education services, where ever the student may reside; and
- Provide necessary special education services or contract for these services with public or private educational agencies.

The chartering LEA and the charter school may enter into business agreements or contracts whereby the charter school agrees to pay for the excess costs associated with providing special education services to identified students, including the administration of special education programs. When the chartering entity is a district, the charter school should be held fiscally responsible for a fair share of any encroachment on district general funds that is created by the provision of special education services throughout the district⁵.

B. Charter School As An LEA Within The SELPA

Application must be made to the SELPA on or before February 1 of the school year preceding the school year in which the charter school anticipates operating as an LEA within the SELPA. LEA status will not become effective prior to July 1 of the year in which final approval was granted. Once granted LEA status, a charter school will participate on an equal basis with other members in the governance of the SELPA. The LEA charter school will choose a representative to the Governance Council and a representative to the Coordinating Council. The representative to the Governance Council must be the chief executive officer pursuant to the Governance Council Bylaws. The representative to the Coordinating Council must be an authorized agent designated by the governing board of the charter school. Like other members of the SELPA, the charter school will be represented on the SELPA Finance Committee by the individual chosen from the geographic zone in which the charter school is located.

The applicant charter school will be deemed an LEA if the SELPA Governance Council determines that the charter school has met all requirements to be included as a member LEA of the SELPA as specified in this policy and the Local Plan. These requirements include:

- Provide assurances that all individuals with exceptional needs (ages birth to 22) shall have access to appropriate special education programs and services;
- Provide assurances that each certificated employee is appropriately credentialed to serve in his/her assignment;
- Provide necessary staff as required to meet federal and state mandates;
- Follow all SELPA policies and procedures;
- Utilize SELPA approved forms;
- Place special education students in programs administered by other SELPA members only with either inter or intra SELPA permits and/or interdistrict permits;
- Provide transportation as indicated on the student's IEP; and
- Indemnify and hold harmless each of the member entities.

⁵ AB 1115 requires that the chartering entity, if a district, charge the charter school *its* pro-rata share of district-wide encroachment (EC 47646) as is the case with all of the SELPA-member districts. However, for consideration, the district may waive this charge. Specifics should be included in an MOU.

Once deemed an LEA, the charter school shall:

- Participate in governance of the SELPA by naming one representative to the Governance Council and a representative to the Coordinating Council;
- Contribute to, participate in, and receive the benefits of reimbursement from the Out-of-Home Care Funding in the same manner as other members. ⁶
- If any new school district or charter school applies as an independent member of the SELPA, it will receive AB 602 Growth Rate funding based on ADA plus program specialist dollars for the base year. In subsequent years, this base rate will increase by COLA as well as the LEA will receive growth dollars based on its appropriate eligibility determination;
- If any new school district or charter school applies as an independent member of the SELPA and it's percentage of special education students to total population is significantly lower than any of the SELPA-member LEAs, then the SELPA and Charter School shall enter into an MOU outlining the funding as a condition of becoming an LEA in the SELPA;
- Be responsible for all costs incurred in the provision of special education services. These costs may include, but are not limited to, instruction, services, transportation, nonpublic school/agency placements, inter/intra SELPA placements, due process proceedings, complaints and attorney fees;
- Document that all State and Federal special education funds apportioned to the charter school are used for the sole purpose of providing special education instruction and/or services to identified students with disabilities; and
- Special education apportionment must be used solely for the purpose of providing special education instruction and/or services to identified students with disabilities. Any apportionment not used for provision of special education will be reviewed by the Governance Council and Finance Committee for potential recapture and/or reallocation of funds.

⁶ Provides that funds generated by enrollment in the charter school LEA, like all other SELPA members, pays for SELPA and regionalized services.

Riverside County Office of Education

**3939 13th Street
Riverside, California 92501**



Charter School Denial Appeal

**Submission Packet
to
Riverside County Office of Education**

**Charter Schools Unit
Division of Administration and Business Services
(951) 826-6448**

Printed by Riverside County Office of Education



RIVERSIDE COUNTY OFFICE OF EDUCATION

3939 13th Street
Riverside, California 92501
Telephone (951) 826-6448 Fax (951) 826-6363

Appeal Submission Packet for the Establishment of a Charter School
Following Denial by a School District

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Riverside County Office of Education Riverside, California

Appeal Submission Packet for the Establishment of a Charter School
Following Denial by a School District

TIMELINE

Action	Timeline
1. Petitioner submits Form A: <i>Notice of Intent to Appeal District Denial</i>	Maximum of 180 days from denial
2. Petitioner submits: <ul style="list-style-type: none">▪ Items listed in section A on page 3 of this packet▪ The <u>exact</u> Petition for a Charter School that was denied by the school district▪ RCOE Charter Petition Review Matrix indicating where each of the required elements can be located in the petition. (<i>"Found on page"</i>) column on left side of each page of the matrix)	Within 180 days of denial: Petitioner determines that the required documents are completed as described
3. Upon determination that the documents submitted are sufficient, a public hearing is held	30 days from receipt of all required documents
4. Decision by the Board of Education	60 days from receipt of all required documents
5. Agreement by petitioner and RCOE that additional time is required (<i>optional</i>)	30 day extension of timeline

Only complete application packets will be reviewed.

The charter review timeline becomes effective after all of the above have been completed and submitted.



Charter Appeal Process

Petition Presented on Appeal Following Denial by a School District
Riverside County Office of Education

The Board of Education and the staff of the Riverside County Office of Education (RCOE) view the responsibility to provide a quality education to all of the children in Riverside County as a serious undertaking. In that light, we are interested in authorizing only high quality charter schools that:

- Share our vision of equity and success for the children of Riverside County
- Implement innovative and effective approaches to educating students
- Implement effective instructional strategies to serve underperforming populations
- Narrow the achievement gap among students of various backgrounds
- Demonstrate fiscal viability
- Provide sound governance that is free of conflict of interest

The foundational document guiding all charter school operations is the charter. An approved charter is a performance contract between RCOE and the charter school. As such, terms of the contract must be delineated as clearly as possible, especially with regards to student performance measures. A comprehensive well-written petition provides clear operating procedures for the charter school and objective measures to which RCOE will hold the charter school accountable.

This appeal submission packet is designed to give petitioners a clear outline of what RCOE considers to be a "reasonably comprehensive" charter petition.

Starting a charter school is hard work, and the foundation must be well laid in order to ensure success!

A. Submitting the Appeal (Submission must be within 180 days of denial by District)

Only complete submission packets will be reviewed.

The charter appeal review timeline becomes effective after all of the following have been submitted.

- ☐ A. 15 copies and one CD of the original Charter Petition, and supporting documents considered by District when petition was denied.
- ☐ B. RCOE Charter Review Matrix with page numbers identifying the location of required information indicated in the second column of the matrix

Please assemble three (3) binders containing the following items with tabs separating each numbered requirement.

- ☐ 1. Table of Contents
- ☐ 2. Notice of Intent to Appeal Denial by District Form A
- ☐ 3. Copy of Signature pages (50%) of either parents or teachers meaningfully interested
- ☐ 4. Evidence of denial by the district board and the governing board's written factual findings, if available
- ☐ 5. A signed certification that the petitioner(s) will comply with all applicable law
- ☐ 6. A description of any changes to the petition necessary to reflect the county board of education as the chartering entity. (This is a separate document from the original petition) (5 CCR 11967)

The above items must be hand delivered to the Charters Schools Unit of the

Riverside County Office of Education

3939 13th Street, Riverside, CA

B. Do Not Submit Until Requested Additional Information that may be requested at a later time :

- ☐ 1(B) Required Forms:
 - ☐ Applicant Information for each Lead Petitioner Form B
 - ☐ Applicant Information for School Director/Principal Form B
 - ☐ Applicant Information for On-site Financial Manager Form B
 - ☐ Charter Information Form C
 - ☐ Request for Information from Prospective Board Members Form D
- ☐ 2(B) Proposed budget (start-up and three year budgets)
- ☐ 3(B) Articles of Incorporation for the non-profit organization (or explanation of why these have not yet been developed), if applicable
- ☐ 4(B) By-laws for the non-profit organization that is requesting the charter (or explanation of why these have not yet been developed), if applicable
- ☐ 5(B) Resumes and credentials for all meaningfully interested teachers



Charter Appeal Process

Petition Presented on Appeal Following Denial by a School District
Riverside County Office of Education

B. Petition Review

The petition for a charter school is reviewed utilizing the Riverside County Office of Education the "Charter Petition Review" matrix presented as a part of this application packet. Charters presented on appeal following denial are reviewed pursuant to EC 47605 (b).

According to California Code of Regulations, 5 CCR s 11967.5.1 (g) A **"reasonably comprehensive" description**, within the meaning subdivision (f) of this section and Education Code section 47605(b)(5) shall include, but not be limited to, information that:

- (1) Is substantive and is not, for example, a listing of topics with little elaboration.
- (2) For elements that have multiple aspects, addresses essentially all aspects of the elements, not just selected aspects
- (3) Is specific to the charter petition being proposed, not to charter schools, or charter petitions generally
- (4) Describes, as applicable among the different elements, how the charter school will:
 - (A) Improve pupil learning
 - (B) Increase learning opportunities for its pupils, particularly pupils who have been identified as academically low achieving
 - (C) Provide parents, guardians, and pupils with expanded educational opportunities
 - (D) Hold itself accountable for measurable, performance-based pupil outcomes
 - (E) Provide vigorous competition with other public school options available to parents, guardians, and students

The Riverside County Governing Board and the RCOE staff view 5 CCR s 11967.5.1 (g) as meaningful guidelines for reviewing charter applications and have incorporated this guidance into the "Charter Petition Review" matrix.

C. Petition Team Capacity Interview

In addition to a review of the charter petition the Charter Schools Unit may hold an interview with the petitioner team and the Board of Directors to gauge the experience and expertise of its members in the areas of:

- Curriculum, instruction and assessment
- Finance and business operation
- School administration, including on-site leadership and on-site financial management
- School governance

If requested by RCOE, this interview is mandatory and must be attended by members of the petitioner team who have expertise in all of the above areas. If a Board of Directors has been identified, at least two members must attend.

D. Riverside County Board of Education Approval Process

Within the guidelines delineated in Education code § 47605, the Riverside County Board of Education will make a final decision regarding the granting or denial of the charter petition appeal. Petitions may be approved with conditions, including but not limited to the following:

- For a classroom-based program, that a site be secured with an appropriate Certificate of Occupancy 45 days prior to the opening of school



Charter Appeal Process

Petition Presented on Appeal Following Denial by a School District
Riverside County Office of Education

- That the school's student recruitment process not begin until the above condition has been met
- That a qualified principal be hired prior to the opening of the school and that the charter school notify Riverside County Office of Education's Charter Schools Unit 45 days prior to the opening of the school
- That the charter school and the Riverside County Office of Education ensure that all required Memorandums of Understanding (MOUs) have been addressed

The Board of Education will not deny a petition unless it makes written factual findings setting forth specific facts to support one or more of the following:

- The charter school presents an unsound educational program for students
- The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition
- The petition does not contain the required number of signatures
- The petition does not contain the necessary affirmations
- The petition does not contain reasonably comprehensive descriptions of the required elements for a charter school

Please do not hesitate to contact the Charter Schools Unit
of the
Administration and Business Services Division at
(951) 826-6448 if you have any questions about the application process.

Email inquiries can be addressed to pcrawford@rcoe.us

Appeal Submission Packet for the
Establishment of a Charter School Following Denial by a District

REQUIRED FORMS



Form A	Notice of Intent
Form B	Applicant Information
Form C	Charter Information
Form D	Request for Information from Prospective Charter School Board Members

Reference Document

Attachment A	Riverside County SELPA charter Policy
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Electronic versions of the forms can be requested by emailing
pcrawford@rcoe.us



Notice of Intent to Submit Application On Appeal of Denial
PETITION FOR ESTABLISHMENT OF A CHARTER SCHOOL
Appeal Submission Following Denial By District
Riverside County Office of Education

CHARTER SCHOOL INFORMATION

Name of proposed charter school: _____

General location (including district) of proposed school: _____

Projected grade levels: _____ Projected enrollment: _____ Goal date for opening school: _____

LEAD PETITIONER INFORMATION

Name of lead petitioner: _____

Address: _____ City: _____ Zip: _____

Daytime Phone Number(s): _____ FAX _____

Email address: _____

LIST CHARTER DEVELOPMENT TEAM MEMBERS

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

CERTIFICATION

I/we certify that we are interested in applying for a Countywide Charter School within Riverside County.

Print Name: _____ Signature: _____ Date: _____

OFFICE USE ONLY

Received by:

Print Name: _____ **Signature:** _____ **Date:** _____



Applicant Information
PETITION FOR ESTABLISHMENT OF A CHARTER SCHOOL
Appeal Submission Following Denial By District
Riverside County Office of Education

Applicant Information – ATTACH RESUME

Applicant's Position with Charter School: <input type="checkbox"/> Lead Petitioner <input type="checkbox"/> Director/Principal <input type="checkbox"/> On-Site Financial Manager		
Name of Applicant (First/Middle/Last) :		
Other Names Used (i.e. Maiden/Former Married):		
Current Address:		
City:	State:	Zip:

Background Information

Include this information in the attached resume:

- Education History
- Employment History – If applicable, include previous experience with Charter Schools
- Professional Licenses/Credentials
- Professional Affiliations (Corporate Positions, Board Positions, etc)
- Fictitious Business Name Affiliations
- Professional References
- If applicable – Arrests and/or Convictions
-

Proposed Charter School

Charter School Name:		
Address (if available):		
City:	State:	Zip:
Legal Entity Behind Charter School (if available)		
Other Charter Schools with which Affiliated (prior and current):		
Location of Other Charter Schools:		

Authorization to release Information

My signature affirms that all information on this application is true to the best of my knowledge. Further, I authorize all employers, institutions, government agencies and persons named as references to release information for use in establishing my qualifications and credentials for this position: This authorization:

- Removes all liability from those who provide information and verification in response to any information I have stated in applying on behalf of the above referenced Charter School.
- Releases the Riverside County Office of Education and any agent acting on its behalf from any and all liability of whatever nature in requesting or using such information to assess my candidacy on behalf of the above referenced Charter School.
- Is valid during my entire candidacy and during any resulting period of employment with the above referenced Charter School.
- Is an indication of my knowledge and understanding that the information provided in this application will be used to examine by background and my knowing and voluntary agreement to the background information being publicly disclosed as part of the charter/renewal petition and review process.

Signature

Applicant Signature:		
Title:	Date:	
OFFICE USE ONLY		
Charter School Application Process by:		
Phone:	Fax:	E-mail:

Charter Information

PETITION FOR ESTABLISHMENT OF A CHARTER SCHOOL
Appeal Submission Following Denial By District
Riverside County Office of Education

This page is to be submitted with your final charter petition. The information you supply will be incorporated into the Board Report that will be submitted to the Riverside County Board of Education on your behalf. Use additional pages as needed to provide the following information:

1. Name of organization or individuals applying for charter: _____

2. Grade levels to be served by the proposed charter school: _____
3. Number of students proposed to be served: _____
4. Location address or target districts: _____
5. Proposed instructional setting(s): _____
6. Facility status and location(s): _____
7. Board of Directors: (list):

8. Source(s) of money for start-up: _____

9. 3-5 top leaders and their positions::

Leader	Position
_____	_____
_____	_____
_____	_____
10. Have you submitted your charter to any other jurisdiction for approval? ____ Yes ____ No
If yes, where? _____
11. Are there any "sister" charters? ____ Yes ____ No
If yes, indicated where located: _____

12. Under which SELPA do you intend to provide Special Education Services: _____
Contact information for SELPA : _____
If Riverside County SELPA, please note that their Local Plan requires a consultation with the SELPA Director prior to approval of a charter. (See Attachment A,)
13. Provide information on any management company with which your charter school will contract.
Use additional pages, if necessary
Name and Contact Information for Management Company: _____ Service to be provided: _____



Charter Information
PETITION FOR ESTABLISHMENT OF A CHARTER SCHOOL
Appeal Submission Following Denial By District
Riverside County Office of Education

14. Provide a description of the Philosophy:

15. Describe the innovative elements of your charter that could be considered to be “best practices” and could be replicated by other schools:



**REQUEST FOR INFORMATION FROM
PROSPECTIVE CHARTER SCHOOL BOARD MEMBERS**
*FOR ESTABLISHMENT OF A CHARTER SCHOOL
Appeal Submission Following Denial By District*

As you are already aware, serving on a public charter school board is a position of great trust and responsibility. As a board member of a public school, you are not only ultimately responsible for the education of all students enrolled in the school, but also entrusted with the obligation to see that the public monies which are given to the charter school are legally and wisely spent.

By providing the requested information prospective board members will assist the Charter Schools Unit in determining if the application demonstrates that the school will be run in a financially, organizationally and educationally sound manner.

Background

Will you will be at least eighteen years old by January 1 of the year in which the proposed charter school would open? ☐ Yes ☐ No

Using this "Form D" as a cover sheet, submit typed responses to the inquiries on this page and page 12:

1. Indicate how you became aware of the proposed charter school and the opportunity to serve as a member of its board if it is chartered, including who invited you, if applicable, to sit on the board.
2. Explain why you wish to serve on the board.
3. Please indicate if you have previously served on a board of a school district or a not-for-profit corporation (including the board of a non-public school) and describe any relevant experience.
4. Describe your understanding of the appropriate role of a public charter school board member.
5. Indicate specifically the knowledge and experience that you would bring to the board.

Name (please print)

Signature

Date

RIVERSIDE COUNTY SELPA

PROVISION OF SPECIAL EDUCATION SERVICES TO STUDENTS VOLUNTARILY ENROLLED IN CHARTER SCHOOLS

Approved by Governance Council

December 6, 1999

(Revised 5/26/00)

(Revised 8/25/06)

INTRODUCTION

This policy applies to all charter schools that are chartered by an LEA in the Riverside County Special Education Local Plan Area (SELPA) Riverside County SELPA (hereinafter SELPA) or granted a charter on appeal by the Riverside County Board of Education or the State Board of Education in which oversight responsibilities have been assigned to a SELPA-member LEA. This policy only extends to a charter school that was chartered by, or assigned to, an entity that is a member of the SELPA.

As students enrolled in charter schools are entitled to special education services provided in a similar manner to students enrolled in other public schools, charter schools within the SELPA shall comply with all requirements of all applicable state and federal law regarding provision of special education services (Education Code § 56000 et seq., Individuals with Disabilities Education Act 20 U.S.C. Chapter 33). A charter school shall not discriminate against any pupil in its admission criteria on the basis of disability. Students enrolled in charter schools shall receive services in a manner similar to students enrolled in other public schools within the SELPA. The Charter School shall be treated as all other SELPA-member LEAs by the administrative unit and the SELPA Director.

Charter schools must delineate in their memorandum of understanding (MOU) the entity responsible for providing special education instruction and related services. This document must reference any anticipated transfer of special education funds between the granting LEA and the charter school and any provisions for sharing deficits and/or proration factors in funding. This document must affirm, in writing, that the district where the student resides, if different than the chartering LEA, is not responsible for providing special education services to students that are enrolled in the charter school.¹ The written agreement must also state that prior to final approval of a request to be deemed a local educational agency (LEA), the charter school will be deemed a public school within the chartering entity.²

¹ Requires the charter school to acknowledge in its MOU that the district where the student resides is not responsible for special education once the child leaves the district.

² The charter school is deemed a public school when first granted a petition and cannot be deemed an LEA in this SELPA until the charter school has complied with all procedures outlined in this policy.

SELPA INVOLVEMENT WITH APPROVAL AND RENEWAL OF CHARTERS

Prior to approval of a new charter school, or renewal of an existing charter school, the petitioner shall consult with both the superintendent or designee of the chartering entity and the SELPA Director to ensure that the charter school responds to district and SELPA guidelines and timelines as they related to special education. The petition presented must provide assurances that all eligible students enrolled in the charter school will receive appropriate special education services in accordance with appropriate state and federal law and the SELPA Local Plan for Special Education (Local Plan). The petition shall provide that no student otherwise eligible to enroll in the charter school will be denied enrollment due to a disability or to the charter school's inability to provide necessary services.³ Each charter petition must contain a reasonably comprehensive description of the charter school's educational program, as it relates to the provision of special education services, including the following:

- The specialized instruction and services available at the charter school;
- The procedures for ensuring that students are referred, assessed and served in a timely manner;
- Assurances that staff members providing special education services are appropriately credentialed;
- Assurances that the facility used by the charter school does not present physical barriers that would limit an eligible student's full participation in the educational and extracurricular program;⁴
- Disenrollment, suspension and expulsion policies and procedures must ensure that the protections of federal and state law are afforded to special education and 504 eligible students; and
- Dispute resolution procedures that will apply to any disputes between educational entities, including the SELPA, regarding the provision of special education services in the charter school.

CATEGORIES OF CHARTER SCHOOLS

For the purposes of provision of special education services, charter schools shall be deemed either a public school within the chartering district or an LEA that receives funds and provides services independent of the chartering entity. All approved charter schools will be deemed public schools within the chartering entity until the charter school has been deemed an LEA following this policy and decision making process outlined in Section II, Governance and Administration of the Local Plan. The categorization as a separate LEA will become effective on the first day of the fiscal year (July 1), following final approval by the SELPA Governance Council.

³ Petitioner must confirm in writing that they will not discriminate due to disability.

⁴ Affirms charter school responsibilities under Section 504 of the Rehabilitation Act of 1973 (34 CFR 104) hereinafter "504".

A. **Public School Within a School District or RCOE**

Charter schools that are deemed to be public schools within the chartering entity will participate in state and federal funding in the same manner as other schools or programs within the chartering entity. The chartering entity will be responsible for ensuring that all children with disabilities enrolled in the charter school receive special education and designated instruction and services in a manner that is consistent with all applicable provisions of state and federal law. The chartering entity will determine the policies and procedures necessary to ensure that the protections of special education law extend to students in the charter school in the same manner as students enrolled in other schools or programs administered by the chartering entity.

The chartering entity will:

- Receive all applicable special education funds as specified in the SELPA's Assembly Bill (AB) 602 Funding Allocation Plan. The allocation per ADA in the charter school will be the same as that received by the chartering entity, if chartered by a district. If the chartering entity is the COE, the allocation for students enrolled in the charter school will be equal to the average allocation per ADA of member districts within the SELPA, excluding Desert Center Unified School District as this district is treated as a sparse LEA.
- Represent the needs of the charter school in the SELPA governance structure;
- Be responsible for ensuring that all eligible students enrolled in the charter school are appropriately referred, assessed and served in a timely manner;
- Be responsible for procuring and funding appropriate special education services, wherever the student may reside; and
- Provide necessary special education services or contract for these services with public or private educational agencies.

The chartering LEA and the charter school may enter into business agreements or contracts whereby the charter school agrees to pay for the excess costs associated with providing special education services to identified students, including the administration of special education programs. When the chartering entity is a district, the charter school should be held fiscally responsible for a fair share of any encroachment on district general funds that is created by the provision of special education services throughout the district⁵.

B. **Charter School As An LEA Within The SELPA**

Application must be made to the SELPA on or before February 1 of the school year preceding the school year in which the charter school anticipates operating as an LEA within the SELPA. LEA status will not become effective prior to July 1 of the year in which final approval was granted. Once granted LEA status, a charter school will participate on an equal basis with other members in

⁵ AB 1115 requires that the chartering entity, if a district, charge the charter school *its* pro-rata share of district-wide encroachment (EC 47646) as is the case with all of the SELPA-member districts. However, for consideration, the district may waive this charge. Specifics should be included in an MOU.

the governance of the SELPA. The LEA charter school will choose a representative to the Governance Council and a representative to the Coordinating Council. The representative to the Governance Council must be the chief executive officer pursuant to the Governance Council Bylaws. The representative to the Coordinating Council must be an authorized agent designated by the governing board of the charter school. Like other members of the SELPA, the charter school will be represented on the SELPA Finance Committee by the individual chosen from the geographic zone in which the charter school is located.

The applicant charter school will be deemed an LEA if the SELPA Governance Council determines that the charter school has met all requirements to be included as a member LEA of the SELPA as specified in this policy and the Local Plan. These requirements include:

- Provide assurances that all individuals with exceptional needs (ages birth to 22) shall have access to appropriate special education programs and services;
- Provide assurances that each certificated employee is appropriately credentialed to serve in his/her assignment;
- Provide necessary staff as required to meet federal and state mandates;
- Follow all SELPA policies and procedures;
- Utilize SELPA approved forms;
- Place special education students in programs administered by other SELPA members only with either inter or intra SELPA permits and/or interdistrict permits;
- Provide transportation as indicated on the student's IEP; and
- Indemnify and hold harmless each of the member entities.

Once deemed an LEA, the charter school shall:

- Participate in governance of the SELPA by naming one representative to the Governance Council and a representative to the Coordinating Council;
- Contribute to, participate in, and receive the benefits of reimbursement from the Out-of-Home Care Funding in the same manner as other members. ⁶
- If any new school district or charter school applies as an independent member of the SELPA, it will receive AB 602 Growth Rate funding based on ADA plus program specialist dollars for the base year. In subsequent years, this base rate will increase by COLA as well as the LEA will receive growth dollars based on its appropriate eligibility determination;

⁶ Provides that funds generated by enrollment in the charter school LEA, like all other SELPA members, pays for SELPA and regionalized services.

- If any new school district or charter school applies as an independent member of the SELPA and its percentage of special education students to total population is significantly lower than any of the SELPA-member LEAs, then the SELPA and Charter School shall enter into an MOU outlining the funding as a condition of becoming an LEA in the SELPA;
- Be responsible for all costs incurred in the provision of special education services. These costs may include, but are not limited to, instruction, services, transportation, nonpublic school/agency placements, inter/intra SELPA placements, due process proceedings, complaints and attorney fees;
- Document that all State and Federal special education funds apportioned to the charter school are used for the sole purpose of providing special education instruction and/or services to identified students with disabilities; and
- Special education apportionment must be used solely for the purpose of providing special education instruction and/or services to identified students with disabilities. Any apportionment not used for provision of special education will be reviewed by the Governance Council and Finance Committee for potential recapture and/or reallocation of funds.



Charter Petition Review

Petition Presented to the Riverside County Office of Education on Appeal Following Denial by a School District

☐ Initial Presentation to RCOE
☐ Renewal Petition

Proposed Charter School	Petitioner Contact Information	Denial Information	RCOE Appeal Timelines (Office Use Only)	
Name of Proposed Charter School:	Name:	District Denying Petition:	Petition Presented to RCOE Maximum of 180 days from denial Date: _____	Public Hearing 30 days from receipt Date Due: _____ Date Held: _____
	Phone:			
Location(s) of Proposed Charter School:	Email:	Date of Board Action:		<input type="checkbox"/> 30 day extension to: _____ Date of Board Decision _____
	Address:			

Section below is for Office Use ONLY

Area of Review	Name and Position of Reviewer	Date(s) of Review
General Petition Requirements		
Dispute Resolution		
Educational Program		
English Language Learner Services		
Fiscal Viability		
Governance		
Health and Safety		
Independent Study		
Personnel		
Special Education Services		
Student Discipline		
Other:		



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2-3...	4 SUCCESSFUL IMPLEMENTATION	4a – 4p	
4 ..	5 EDUCATIONAL PROGRAM DESCRIPTION	5a – 5l	
5.....	6 MEASUREABLE PUPIL OUTCOMES	6a – 6b	
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Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only. Primarily based on 5 CCR describing how the State Board will review a charter application. This is <u>NOT</u> a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
				Meets required standard	Fails to meet required standard	
1 Petition Requirements		1a. OR 1b.	The petition has been signed by a number of parents or guardians equivalent to at least one-half of the number of pupils the charter estimated for year one. 1a. or 1b. - only one is required			47605 (b) The governing board of the school district shall not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings: 47605 (c) (3) The petition does not contain the number of signatures required by subdivision (a). 47605 (a) (1) (A) The petition has been signed by a number of parents or guardians of pupils that is equivalent to at least one-half of the number of pupils that the charter school estimates will enroll in the school for its first year of operation. 47605 (a) (1) (B) The petition has been signed by a number of teachers that is equivalent to at least one-half of the number of teachers that the charter school estimates will be employed at the school during its first year of operation. 47605 (a) (B) (3) A petition shall include a prominent statement that a signature on the petition means that the parent or guardian is meaningfully interested in having his or her child, or ward, attend the charter school, or in the case of a teacher's signature, means that the teacher is meaningfully interested in teaching at the charter school. The proposed charter shall be attached to the petition.
				1a. or 1b.		
2 Affirmations			The petition contains the following affirmations:			The petition does not contain an affirmation of each of the conditions described in subdivision (d). 47605 (d) (1) In addition to any other requirement imposed under this part, a charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations, shall not charge tuition, and shall not discriminate against any pupil on the basis of ethnicity, national origin, gender, or disability. 47605 (d) (2) (A) A charter school shall admit all pupils who wish to attend the school. (B) However, if the number of pupils who wish to attend the charter school exceeds the school's capacity, attendance, except for existing pupils of the charter school, shall be determined by a public random drawing. Preference shall be extended to pupils currently attending the charter school and pupils who reside in the district except as provided for in Section 47614.5. Other preferences may be permitted by the chartering authority on an individual school basis and only if consistent with the law. (C) In the event of a drawing, the chartering authority shall make reasonable efforts to accommodate the growth of the charter school and, in no event, shall take any action to impede the charter school from expanding enrollment to meet pupil demand. 47605 (d) (3) If a pupil is expelled or leaves the charter school without graduating or completing the school year for any reason, the charter school shall notify the superintendent of the school district of the pupil's last known address within 30 days and shall, upon request, provide that school district with a copy of the cumulative record of the pupil, including a transcript of grades or report card, and health information.
		2a.	Statements that the school will be nonsectarian in its programs, admission policies, employment practices, and all other operation, shall not charge tuition, and shall not discriminate against any pupil on the basis of ethnicity, national origin, gender, or disability.			
		2b.	Statements that the charter school shall admit all pupils who wish to attend the school.			
		2c.	Statements that if the number of pupils who wish to attend the charter school exceeds the school's capacity, attendance, except for existing pupils of the charter school, shall be determined by a public random drawing as described in (B).			
		2d.	Statements that in the event of a drawing, the chartering authority shall make reasonable efforts to accommodate the growth of the charter school and, in no event, shall take any action to impede the charter school from expanding enrollment to meet pupil demand.			
		2e.	Statements that if a pupil is expelled or leaves the charter school without graduating or completing the school year for any reason, the charter school shall notify the superintendent of the school district of the pupil's last known address within 30 days, and shall, upon request, provide that school district with a copy of the cumulative record of the pupil, including a transcript of grades or report card, and health information.			

Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only- Primarily based on 5 CCR describing how the State Board will review a charter application. This is <u>NOT</u> a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
				Meets required standard	Fails to meet required standard	
3 Sound Educational Program			5 CCR 1167.5.1 (b) For purposes of Education Code section 47605(b) (1) a charter petition shall be "an unsound educational program" if it is either of the following:			
		3a.	(1) A program that involves activities that the Board determines would present the likelihood of physical, educational, or psychological harm to the affected pupils • Meets standard if program does not involve the above activities			47605(b)(1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school.
		3b.	(2) A program that the Board determines not to be likely to be of educational benefit to the pupils who attend. • Petition provides sufficient detail to demonstrate how the proposed curriculum would support student mastery of the state content standards.			
			For purposes of Education Code section 47605(b) (2) the Board shall take the following factors into consideration in determining whether charter petitioners are "demonstrably unlikely to successfully implement the program." [ref. 5 CCR 1167.5.1 (c)]			
4 Successful Implementation		4a.	(1) If the petitioners have a past history of involvement in charter schools or other education agencies (public or private), the history is one that the Board regards as unsuccessful, e.g., the petitioners have been associated with a charter school of which the charter has been revoked or a private school that has ceased operation for reasons within the petitioner's control.			47605(b)(2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.
		4b.	(2) The petitioners are unfamiliar with the content of the petition or the requirements of law that would apply to the proposed charter school.			
			(3) The petitioners have presented an unrealistic financial and operational plan for the proposed charter school. An unrealistic financial and operational plan is one to which any or all of the following applies: (A) In the area of administrative services, the charter or supporting documents do not adequately: 1. Describe the structure for providing administrative services, including, at a minimum, personnel transactions, accounting and payroll that reflects an understanding of school business practices and expertise to carry out the necessary administrative services, or a reasonable plan and time line to develop and assemble such practices and expertise. 2. For any contract services, describe criteria for the selection of a contractor or contractors that demonstrate necessary expertise and the procedure for selection of the contractor or contractors. (B) In the area of financial administration, the charter or supporting documents do not adequately: 1. Include, at a minimum, the first-year operational budget, start-up costs, cash flow, and financial projections for the first three years. 2. Include in the operational budget reasonable estimates of all anticipated revenues and expenditures necessary to operate the school, including, but not limited to, special education, based, when possible, on historical data from schools or school districts of similar type, size, and location.			
		4c.				
		4d.				

CHARTER PETITION APPEAL
REVIEW MATRIX

47605] (1) If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education.

Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only- Primarily based on 5 CCR describing how the State Board will review a charter application. This is <u>NOT</u> a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
				Meets required standard	Fails to meet required standard	
4 Successful Implementation		4g.	3. Include budget notes that clearly describe assumptions on revenue estimates, including, but not limited to, the basis for average daily attendance estimates and staffing levels. 4. Present a budget that in its totality appears viable and over a period of no less than two years of operations provides for the amassing of a reserve equivalent to that required by law for a school district of similar size to the proposed charter school. 5. Demonstrate an understanding of the timing of the receipt of various revenues and their relative relationship to timing of expenditures that are within reasonable parameters, based, when possible, on historical data from schools or school districts of similar type, size, and location.			47605(b)(2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition. (continued)
		4h.				
		4i.				
			(C) In the area of insurance: The charter and supporting documents do not adequately provide for the acquisition of and budgeting for general liability, workers' compensations, and other necessary insurance of the type and in the amounts required for an enterprise of similar purpose and circumstance.			
			(D) In the area of facilities, the charter and supporting documents do not adequately:			
		4k.	1. Describe the types and potential location of facilities needed to operate the size and scope of educational program proposed in the charter.			
		4l.	2. In the event a specific facility has not been secured, provide evidence of the type and projected cost of the facilities that may be available in the location of the proposed charter school.			
		4m.	3. Reflect reasonable costs for the acquisition or leasing of facilities to house the charter school, taking into account the facilities the charter school may be allocated under the provisions of Education Code section 47614.			
			(c)(4) The petitioners personally lack the necessary background in the following areas critical to the charter school's success, and the petitioners do not have a plan to secure the services of individuals who have the necessary background in these areas: (a) Curriculum, instruction, and assessment (b) Finance, business management			
			Petition includes a thorough description of the education, work experience, credentials, degrees and certifications of the individuals comprising, or projected to comprise the directors, administrators and managers of the proposed charter school including:			
		4n.	1. Description of background in curriculum, instruction, and assessment -or- a plan to secure the services of individuals who have the necessary background in these areas.			
		4o.	2. Description of background in finance and business management -or- a plan to secure the services of individuals who have the necessary background in these areas.			
		4p.	3. Petition includes a list of consultants whom the charter school has engaged, or proposes to engage, for the purpose of developing, operating and evaluating the charter school. Petition includes a thorough description of the qualifications of such consultants and adoption of conflict of interest for consultants.			

CHARTER PETITION APPEAL
REVIEW MATRIX

47605 (1) If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education.

Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only- Primarily based on 5 CCR describing how the State Board will review a charter application. This is NOT a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
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5 Education Program Description			5 CCR 1167.5 (f) For the purposes of Education code section 47605(b) (5) take the following factors into consideration in determining whether a charter petition does not contain a reasonably comprehensive description of each of the specific elements.			<p>NOTE: Guidance only- 5 CCR § 1167.5.1 (g) A "reasonably comprehensive" description, within the meaning of subdivision (f) of this section and Education Code section 47605(b)(5) shall include, but not be limited to, information that:</p> <p>(1) Is substantive and is not, for example, a listing of topics with little elaboration.</p> <p>(2) For elements that have multiple aspects, addresses essentially all aspects of the elements, not just selected aspects</p> <p>(3) Is specific to the charter petition being proposed, not to charter schools, or charter petitions generally.</p> <p>(4) Describes, as applicable among the different elements, how the charter school will:</p> <p>(A) <i>Improve pupil learning</i></p> <p>(B) <i>Increase learning opportunities for its pupils, particularly pupils who have been identified as academically low achieving</i></p> <p>(C) <i>Provide parents, guardians, and pupils with expanded educational opportunities</i></p> <p>(D) <i>Hold itself accountable for measurable, performance-based pupil outcomes</i></p> <p>(E) <i>Provide vigorous competition with other public school options available to parents, guardians, and students</i></p> <p>47605(b)(5)(A)(i) description of the educational program of the school, designed, among other things, to identify those whom the school is attempting to educate, what it means to be an "educated person" in the 21st century, and how learning best occurs. The goals identified in that program shall include the objective of enabling pupils to become self-motivated, competent, and lifelong learners.</p> <p>47605(h) In reviewing petitions for the establishment of charter schools within the school district, the school district governing board shall give preference to petitions that demonstrate the capability to provide comprehensive learning experiences to pupils identified by the petitioner or petitioners as academically low achieving pursuant to the standards established by the department under Section 54032.</p> <p>Reference only: 60605 (B) The state board shall adopt statewide performance standards in the core curriculum areas of reading, writing, mathematics, history/social science, and science based on the recommendations made by the Superintendent of Public Instruction and a contractor or contractors.</p> <p>47641(a) A charter school that includes in its petition for establishment or renewal, or that otherwise provides, verifiable, written assurances that the charter school will participate as a local educational agency in a special education plan approved by the State Board of Education shall be deemed a local educational agency for the purposes of compliance with federal law (individuals with Disabilities Education Act, 20 U.S.C. Sec. 1400 et seq.) and for eligibility for federal and state special education funds. A charter school that is deemed a local educational agency for the purposes of special education pursuant to this article shall be permitted to participate in an approved special education local plan that is consistent with subdivision (a), (b), or (c) of Section 56195.1.</p> <p>(b) A charter school that was granted a charter by a local educational agency that does not comply with subdivision (a) may not be deemed a local educational agency pursuant to this article, but shall be deemed a public school of the local educational agency that granted the charter.</p>
		5a.	(A) Indicates the proposed charter school's target student population, including, at a minimum: • Grade levels • Approximate numbers of pupils • Specific educational interests, backgrounds, or challenges			
		5b.	(B) Specifies a clear, concise school mission statement with which all elements and programs of the school are in alignment and which conveys the petitioners': • Definition of an "educated person" in the 21st century • Belief of how learning best occurs • Goals consistent with enabling pupils to become or remain self-motivated, competent, and lifelong learners			
		5c.	(C) Includes a framework for instructional design that is aligned with the needs of the pupils that the charter school has identified as its target student population			
		5d.	(D) Indicates the basic learning environment or environments, e.g.: • Site-based matriculation • Independent study • Community-based education • Technology-based education			
		5e.	(E) Indicates the instructional approach or approaches the charter school will utilize, including, but not limited to, the curriculum and teaching methods (or a process for developing the curriculum and teaching methods) that will: • Enable the school's pupils to master the content standards for the core curriculum areas adopted by the SBE pursuant to EC Section 60605 • Achieve the objectives specified in the charter			
		5f.	(F) Indicates how the charter school will identify and respond to the needs of pupils who are not achieving at or above expected levels.			
		5g.	(G) Indicates how the charter school will identify and meet the needs of: • Students with disabilities • English learners • Students achieving substantially above or below grade level expectations • Other special student populations			
			(H) Specifies the charter school's special education plan, including, but not limited to:			
		5h.	• The means by which the charter school will comply with the provisions of Education Code section 47641			
		5i.	• The process to be used to identify students who qualify for special education programs and services			
		5j.	• How the school will provide or access special education programs and services			

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High School Requirements		5k.	<ul style="list-style-type: none"> The school's understanding of its responsibilities under law for special education pupils, and how the school intends to meet those responsibilities 			
		5l.	If serving high school students, describes how district/charter school informs parents about: <ul style="list-style-type: none"> Transferability of courses to other public high schools; and Eligibility of courses to meet college entrance requirements Courses that are accredited by the Western Association of Schools and Colleges (WASO) may be considered transferable, and courses meeting the UC/CSU "a-g" admissions criteria may be considered to meet college entrance requirements) 			
6 Measurable Pupil Outcomes			5 CCR 1167.5.1 (f) (2) Measurable pupil outcomes, as required by EC 47605(b)(5)(B)			47605(b)(5)(B) The measurable pupil outcomes identified for use by the charter school. "Pupil outcomes," for purposes of this part, means the extent to which all pupils of the school demonstrate that they have attained the skills, knowledge, and attitudes specified as goals in the school's educational program.
			(A) Specify skills, knowledge, and attitudes that reflect the school's educational objectives and can be assessed, at a minimum, by objective means that are frequent and sufficiently detailed enough to determine whether pupils are making satisfactory progress. It is intended that the frequency of objective means of measuring pupil outcomes vary according to such factors as: <ul style="list-style-type: none"> Grade level Subject matter Outcome of previous objective measurements Information that may be collected from anecdotal sources To be sufficiently detailed, objective means of measuring pupil outcomes must be capable of being used readily to evaluate the effectiveness of and to modify instruction for individual students and for groups of students.			
		6a.				
7 Pupil Progress Measurement		6b.	(B) Include the school's Academic Performance Index growth target, if applicable.			47605(b)(5)(C) The method by which pupil progress in meeting those pupil outcomes is to be measured.
			5 CCR 1167.5.1 (f) (3) The method by which pupil progress is to be measured as required by Education Code section 47605(b)(5)(C), at a minimum:			
		7a.	(A) Utilizes a variety of assessment tools that are appropriate to the skills, knowledge, or attitudes being assessed, including, at a minimum, tools that employ objective means of assessment consistent with the measurable pupil outcomes			
		7b.	(B) Includes the annual assessment results from the Statewide Testing and Reporting (STAR) program			
		7c.	(C) Outlines a plan for collecting, analyzing, and reporting data on pupil achievement to school staff and to pupils' parents and guardians, and for utilizing the data continuously to monitor and improve the charter school's educational program			

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8 Governance			5 CCR 1167.5.1(f)(4) The governance structure of the school, including, but not limited to, the process to be followed by the school to ensure parental involvement in supporting the school's effort on behalf of the school's pupils, as required by Education Code 47605(b)(5)(D).			47605(b)(5)(D) The governance structure of the school, including, but not limited to, the process to be followed by the school to ensure parental involvement.
		8a.	(A) Includes evidence of the charter school's incorporation as a non-profit public benefit corporation, if applicable			
		8b.	(B) Includes evidence that the organizational technical designs of the governance structure reflect a seriousness of purpose necessary to ensure that: <ul style="list-style-type: none"> The charter school will become and remain a viable enterprise There will be active and effective representation of interested parties, including, but not limited to, parents (guardians) The educational program will be successful 			
		8c.	The petition clearly delineates the roles and responsibilities of the governing body and the staff			
9 Employee Qualifications			5 CCR 1167.5.1(f)(6) The procedures that the school will follow to ensure the health and safety of pupils and staff, as required by Education Code section 47605(b)(5)(E), at a minimum:			47605(b)(5)(E) The qualifications to be met by individuals to be employed by the school.
		9a.	(A) Identify general qualifications for the various categories of employees the school anticipates (e.g., administrative, instructional, instructional support, non-instructional support). The qualifications shall be sufficient to ensure the health and safety of the school's faculty, staff, and pupils.			
		9b.	(B) Identify those positions that the charter school regards as key in each category and specify the additional qualifications expected of individuals assigned to those positions.			
		9c.	(C) Specify that all requirements for employment set forth in applicable provisions of law will be met, including, but not limited to, credentials as necessary.			
10 Health and Safety			5 CCR 1167.5.1 (f) (6) The procedures that the school will follow to ensure the health and safety of pupils and staff, as required by Education code section 47605(b)(5)(E).			47605(b)(5)(F) The procedures that the school will follow to ensure the health and safety of pupils and staff. These procedures shall include the requirement that each employee of the school furnish the school with a criminal record summary as described in Section 44237.
		10a.	(A) Require that each employee of the school furnish the school with a criminal record summary as described in EC Section 44237			
		10b.	(B) Include the examination of faculty and staff for tuberculosis as described in EC Section 49406			
		10c.	(C) Require immunization of pupils as a condition of school attendance to the same extent as would apply if the pupils attended a non-charter public school			
11 Racial and Ethnic Balance		10d.	(D) Provide for the screening of pupils' vision and hearing and the screening of pupils for scoliosis to the same extent as would be required if the pupils attended a non-charter public school			47605(b)(5)(G) The means by which the school will achieve a racial and ethnic balance among its pupils that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted.
		11a.	The petition includes a description of the ways in which the charter school will address efforts to achieve a racial and ethnic balance that is reflective of the general population within the district in which it proposes locate.			
		12a.	Petition describes the policies and procedures the school will develop and implement for the admission and enrollment of students.			

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12 Admission Requirements		12b.	Include any proposed timetable or calendar of the school's implementation of the random lottery process as required by law			47605(b)(5)(H) Admission requirements, if applicable.
		12c.	Admissions policy includes a statement that no student "otherwise eligible" to enroll in the charter school will be denied enrollment due to a disability or the charter school's inability to provide necessary services.			
13 Annual Financial Audits		5 CCR 1167.5.1(f)(9) The manner in which annual, independent, financial audits shall be conducted, which shall employ generally accepted accounting principles, and the manner in which audit exceptions and deficiencies shall be resolved to the satisfaction of the chartering authority, as required by Education code section 47605(b)(5)(I), at a minimum:				47605(b)(5)(I) The manner in which annual, independent, financial audits shall be conducted, which shall employ generally accepted accounting principles, and the manner in which audit exceptions and deficiencies shall be resolved to the satisfaction of the chartering authority.
		13a.	Specify who is responsible for contracting and overseeing the independent audit.			
		13b.	Specify that the auditor will have experience in education finance.			
		13c.	Outline the process of providing audit reports to the Board of Education, California Department of Education, or other agency as the Board may direct, and specifying the timeline in which audit exceptions will typically be addressed.			
		13d.	Indicate the process that the charter school(s) will follow to address any audit findings and/or resolve any audit exceptions.			
14 Suspension and Expulsion Procedures		5 CCR 1167.5.1(f)(10) The procedures by which pupils can be suspended or expelled, as required by Education Code section 47605(b)(5)(J), at a minimum:				47605(b)(5)(J) The procedures by which pupils can be suspended or expelled.
		14a.	(A) Identify a preliminary list, subject to later revision pursuant to subparagraph (E), of the offenses for which students in the charter school must (where non-discretionary) and may (where discretionary) be suspended and, separately, the offenses for which students in the charter school must (where non-discretionary) or may (where discretionary) be expelled, providing evidence that the petitioners reviewed the offenses for which students must or may be suspended or expelled in non-charter public schools.			
		14b.	(B) Identify the procedures by which pupils can be suspended or expelled.			
		14c.	(C) Identify the procedures by which parents, guardians, and pupils will be informed about reasons for suspension or expulsion and of their due process rights in regard to suspension or expulsion.			
		14d.	(D) Provide evidence that in preparing the lists of offenses specified in subparagraph (A) and the procedures specified in subparagraphs (B) and (C), the petitioners reviewed the lists of offenses and procedures that apply to students attending non-charter public schools, and provide evidence that the charter petitioners believe their proposed lists of offenses and procedures provide adequate safety for students, staff, and visitors to the school and serve the best interests of the school's pupils and their parents (guardians).			

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14 Suspension and Expulsion			(E) If not otherwise covered under subparagraphs (A), (B), (C), and (D):			
		14e.	1. Provides for due process for all pupils and demonstrates understanding of the rights of pupils with disabilities in regard to suspension and expulsion.			
		14e.1	2. Outline how detailed policies and procedures regarding suspension and expulsion will be developed and periodically reviewed, including, but not limited to, periodic review and (as necessary) modification of the lists of offenses for which students are subject to suspension or expulsion.			
15 STRS, PERS. and Social Security			5 CCR 1167.5.1(f)(11) The matter by which staff members of the charter schools will be covered by the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security, as required by Education code section 47605(b)(5)(K), at a minimum:			47605(b)(5)(K) The manner by which staff members of the charter schools will be covered by the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.
		15a.	Specifies: • Positions to be covered under each system; and • Staff who will be responsible for ensuring that the appropriate arrangements for that coverage have been made			
16 Public School Attendance Alternatives			5 CCR 1167.5.1(F)(12) The public school attendance alternatives for pupils residing within the school district who choose not to attend charter schools, as required by EC 47605(b)(5)(L):			47605(b)(5)(L) The public school attendance alternatives for pupils residing within the school district who choose not to attend charter schools.
		16a.	Specify that the parent or guardian of each pupil enrolled in the charter school shall be informed that the pupil has no right to admission in a particular school of any local education agency (or program of any local education agency) as a consequence of enrollment in the charter school, except to the extent that such a right is extended by the local education agency.			
17 Post-Employment Rights of Employees			5 CCR 1167.5.1(F)(13) A description of the rights of any employees of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school, as required by EC 47605(b)(5)(M), at a minimum, specifies that an employee of the charter school shall have the following rights:			47605(b)(5)(M) A description of the rights of any employee of the county office of education upon leaving the employment of the county office of education to work in a charter school, and of any right of return to the school district after employment at a charter school.
		17a.	(A) Any rights upon leaving the employment of a local education agency to work in the charter school that the local education agency may specify.			
		17b.	(B) Any rights of return to employment in a local education agency after employment in the charter school as the local education agency may specify.			

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18 Dispute Resolution Procedures			5 CCR 1167.5.1(f)(14) The procedures to be followed by the charter school and the entity granting the charter, as required by Education Code section 47605(b)(5)(N) at a minimum:			
		18a.	Describe how the costs of the dispute resolution process, if needed, would be funded.			
		18b.	Petition describes the procedures to be followed by the charter school and the LEA to resolve disputes relating to provisions of the charter.			
		18c.	Petition acknowledges that should the LEA determine in writing that the violation or issue in question constitutes a severe and imminent threat to the health or safety of the pupils, it shall not be bound by any portion of the dispute resolution process and may commence revocation proceeding immediately or take other action as it deems necessary.			47605(b)(5)(N) The procedures to be followed by the charter school and the board of education to resolve disputes relating to provisions of the charter.
19 Exclusive Public School Employer		18d.	Petition acknowledges that the except those disputes between the LEA and the School, all disputes involving the School shall be resolved by the School according to the School's own internal policies.			
		19a.	The petition includes a declaration of whether or not the charter school shall be deemed the exclusive public school employer for the purposes of the Educational Employment Relations Act (Gov. Code § 3540)			47605(b)(5)(O) A declaration whether or not the charter school shall be deemed the exclusive public school employer of the employees of the charter school for the purposes of the Educational Employment Relations Act (Chapter 10.7 [commencing with Section 3540] of Division 4 of Title 1 of the Government Code).
20 Closure Procedures		20a.	Description of closing procedures ensures a final audit to determine the disposition of all assets and the liabilities of the charter school.			
		20b.	Description of closing procedures includes plans for disposing of any net assets.			47605(b)(5)(P) A description of the procedures to be used if the charter school closes. The procedures shall ensure a final audit of the school to determine the disposition of all assets and liabilities of the charter school, including plans for disposing of any net assets and for the maintenance and transfer of pupil records.
		20c.	Description of closing procedures includes plans for maintenance and transfer of students records.			
Additional Education Code Requirements						
21 Private School Restrictions		21a.	The petition does not represent a conversion of a private school to a charter school.			47602(b) No charter shall be granted under this part that authorizes the conversion of any private school to a charter school. No charter school shall receive any public funds for a pupil if the pupil also attends a private school that charges the pupil's family for tuition.
		21b.	The petition does not allow concurrent enrollment in a private school.			47602(b) No charter shall receive any public funds for a pupil if the pupil also attends a private school that charges the pupil's family for tuition.
22 Public School Conversion		22a.	Petition identifies whether or not the proposed charter school is a conversion of a public school.			47605(b)(2) A petition that proposes to convert an existing public school to a charter school that would not be eligible for a loan pursuant to subdivision (b) of Section 41365 may be circulated by any one or more persons seeking to establish the charter school. The petition may be submitted to the governing board of the school district for review after the petition has been signed by not less than 50 percent of the permanent status teachers currently employed at the public school to be converted.
23 Standards, Assessments, and Parent Consultation		23a.	The petition describes how the school will meet all statewide standards and ensure that the requirements of education code are addressed in the STAR and CAHSEE testing and in other statewide standards authorized in statute or pupil assessments applicable to pupils in other public schools.			47605(c)(1) Charter schools shall meet all statewide standards and conduct the pupil assessment required pursuant to Sections 68605 and 68851 and any other statewide standards authorized in statute or pupil assessments applicable to pupils in noncharter public schools.
		23b.	The petition provides a plan for how the school will consult with their parents and teachers regarding the school's educational programs on a regular basis.			47605(c)(2) Charter schools shall, on a regular basis, consult with their parents, guardians, and teachers regarding the school's educational programs.

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24 Effects on Authorizer		24a.	The petition identifies any potential civil liability effects upon the school and the authorizing LEA.			47605(g) The governing board of a school district shall require that the petitioner or petitioners provide information regarding the proposed operation and potential effects of the school, including, but not limited to, the facilities to be utilized by the school, the manner in which administrative services of the school are to be provided, and potential civil liability effects, if any, upon the school and upon the school district. The description of the facilities to be used by the charter school shall specify where the school intends to locate. The petitioner or petitioners shall also be required to provide financial statements that include a proposed first-year operational budget, including startup costs, and cash flow and financial projections for the first three years of operation.
		24b.	Petition identifies whether or not the proposed charter school intends to enter into a contract with an education management organization (EMO), and includes a clear delineation of the respective roles and responsibilities of the governing board and the EMO.			
			Cross reference with 4c, 4e, 4f, 4k, (matrix page 3)			
25 Teacher Credentialing		25a.	Petition specifies that teachers will be required to hold a CCTC certificate, permit, or other document equivalent to that which a teacher in other public schools would be required to hold...It is the intent of the Legislature that charter schools be given flexibility with regard to noncore, noncollege preparatory courses.			47605(i) Teachers in charter schools shall hold a Commission on Teacher Credentialing certificate, permit, or other document equivalent to that which a teacher in other public schools would be required to hold. These documents shall be maintained on file at the charter school and are subject to periodic inspection by the chartering authority. It is the intent of the Legislature that charter schools be given flexibility with regard to noncore, noncollege preparatory courses.
		25b.	Petition identifies and defines core courses.			
26 Transmission of Audit Report		26a.	Petition provides detailed information regarding the provisions of the annual audit.			47605(m) A charter school shall transmit a copy of its annual, independent, financial audit report for the preceding fiscal year, as described in subparagraph (i) of paragraph (5) of subdivision (b), to its chartering entity, the Controller, the county superintendent of schools of the county in which the charter school is sited, unless the county board of education of the county in which the charter school is sited is the chartering entity, and the department by December 15 of each year. This subdivision does not apply if the audit of the charter school is encompassed in the audit of the chartering entity pursuant to Section 41020.
			The petition provides that all eligible students enrolled in the charter school will receive appropriate special education services in accordance with applicable state and federal law and the SELPA Local Plan for Special Ed.			
27 Special Education		27b.	The petition provides that no student "otherwise eligible to enroll in the charter school" will be denied enrollment due to a disability or to the charter school's inability to provide necessary services.			47605.8(b)(1) The charter presents an unsound educational program for the pupils to enrolled in the charter school. 56145. Individuals with exceptional needs attending charter schools pursuant to Part 26.8 (commencing with Section 47600) shall be served in the same manner as individuals with exceptional needs are served in other public schools.
		27c.	The petition provides that the staff members providing special education services are appropriately credentialed.			
		27d.	The petition provides that any facility used by the charter school does not present physical barriers that would limit an eligible student's full participation in the educational and extracurricular programs.			
		27e.	The petition provides that the charter school will assume full responsibility for appropriate accommodation to address the needs of any student.			
		27f.	The petition acknowledges the responsibility of the charter school to provide special education, instruction and related services to the students enrolled in the school regardless of students' district of residence.			

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27 Special Education <i>continued</i>			The petition includes a reasonably comprehensive description of:			NOTE: Guidance only - 5 CCR s 11967.5.1 (g) A. "reasonably comprehensive" description , within the meaning of subdivision (f) of this section and Education Code section 47605(b)(5) shall include, but not be limited to, information that: (1) Is substantive and is not, for example, a listing of topics with little elaboration. (2) For elements that have multiple aspects, addresses essentially all aspects of the elements, not just selected aspects (3) Is specific to the charter petition being proposed, not to charter schools, or charter petitions generally. (4) Describes, as applicable among the different elements, how the charter school will: <i>(A) Improve pupil learning</i> <i>(B) Increase learning opportunities for its pupils, particularly pupils who have been identified as academically low achieving</i> <i>(C) Provide parents, guardians, and pupils with expanded educational opportunities</i> <i>(D) Hold itself accountable for measurable, performance-based pupil outcomes</i> <i>(E) Provide vigorous competition with other public school options available to parents, guardians, and students</i>
		27g.	• Specialized instruction and services available at the school			
		27h.	• The provision of Designated Instruction and Services (DIS)			
		27i.	• Special transportation, when appropriate			
		27j.	• Procedures for ensuring that students are referred, assessed and served in a timely manner - Including a description of SST process			
		27k.	• The dispute resolution procedures that will apply to any disputes between educational entities, including the SELPA and LEA, regarding the provision of special education services in the charter school.			
28 Independent Study		28a.	The petition verifies that the K-12 public school guidelines for independent study will be evident in the annual audit.			47612.5(b) Notwithstanding any other provision of law and except to the extent inconsistent with this section and Section 47634.2, a charter school that provides independent study shall comply with Article 5.5 (commencing with Section 51745) of Chapter 5 of Part 28 and implementing regulations adopted there-under.
		28b.	The petition states that it will meet the requirement related to the ratio of ADA to FTE certified employees as prescribed under education code.			51745.6(a) The ratio of average daily attendance for independent study pupils 18 years of age or less to school district full-time equivalent certificated employees responsible for independent study, calculated as specified by the State Department of Education, shall not exceed the equivalent ratio of pupils to full-time certificated employees for all other education programs operated by the school district. The ratio of average daily attendance for independent study pupils 18 years of age or less to county office of education full-time equivalent employees responsible for independent study, to be calculated in a manner prescribed by the State Department of Education, shall not exceed the equivalent ratio of pupils to full-time certificated employees for all other educational programs operated by the high school or unified school district with the largest daily attendance of pupils in that county. The compilation of those ratios shall be performed annually by the reporting agency at the time of, and in connection with, the second principal appointment report to the Superintendent of Public Instruction.
			The petition includes written policies required for eligibility to receive apportionments for independent study:			51747 ...shall not be eligible to receive apportionments for independent study by pupils, regardless of age, unless it has adopted written policies, and has implemented those policies, pursuant to rules and regulations adopted by the Superintendent of Public Instruction, that include, but are not limited to, all of the following:
		28c.	The maximum length of time, by grade level and type of program that may elapse between the time an independent study assignment is made and the date by which the pupil must complete the assigned work.			51747(a) The maximum length of time, by grade level and type of program, that may elapse between the time an independent study assignment is made and the date by which the pupil must complete the assigned work.
		28d.	The number of missed assignments that will be allowed before an evaluation is concluded to determine whether it is in the best interests of the pupil to remain in independent study, or whether he or she should return to the regular school program.			51747(b) The number of missed assignments that will be allowed before an evaluation is conducted to determine whether it is in the best interests of the pupil to remain in independent study, or whether he or she should return to the regular school program. A written record of the findings of any evaluation made pursuant to this subdivision shall be treated as a mandatory interim pupil record. The record shall be maintained for a period of three years from the date of the evaluation and, if the pupil transfers to another California public school, the record shall be forwarded to that school.
			The requirement that a current written agreement for each pupil will be maintained in file in, at a minimum, the following areas:			51747(c) A requirement that a current written agreement for each independent study pupil shall be maintained on file including, but not limited to, all of the following:
		28e.	The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress.			(1) The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress.

Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only- Primarily based on 5 CCR describing how the State Board will review a charter application. This is <u>NOT</u> a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
				Meets required standard	Fails to meet required standard	
28 Independent Study <i>continued</i>		28f.	The objectives and methods of study for the pupil's work, and the methods utilized to evaluate that work.			(2) The objectives and methods of study for the pupil's work, and the methods utilized to evaluate that work.
		28g.	The specific resources, including materials and personnel that will be made available to the pupil.			(3) The specific resources, including materials and personnel, that will be made available to the pupil.
		28h.	A statement of the policies adopted pursuant to subdivisions (a) and (b) regarding the maximum length of time allowed between the assignment and the completion of a pupil's assigned work, and the number of missed assignments allowed prior to an evaluation of whether or not the pupil should be allowed to continue in independent study.			(4) A statement of the policies adopted pursuant to subdivisions (a) and (b) regarding the maximum length of time allowed between the assignment and the completion of a pupil's assigned work, and the number of missed assignments allowed prior to an evaluation of whether or not the pupil should be allowed to continue in independent study.
		28i.	The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement. No independent study agreement shall be valid for any period longer than one semester, or one-half year for a school on a year-round calendar.			(5) The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement. No independent study agreement shall be valid for any period longer than one semester, or one-half year for a school on a year-round calendar.
		28j.	A statement of the number of course credits, or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.			(6) A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.
		28k.	The inclusion of a statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.			(7) The inclusion of a statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate. In the case of a pupil who is referred or assigned to Section 48915 or 48917, the agreement also shall include the statement that instruction may be provided to the pupil through independent study only if the pupil is offered the alternative of classroom instruction.
		28l.	Each written agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil.			(8) Each written agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil. For purposes of this paragraph "caregiver" means a person who has met the requirements of Part 1.5 (commencing with Section 6550) of the Family Code.
		28m.	Petition acknowledges that independent study will be supervised by an appropriately credentialed teacher.			51747.5(a) The independent study by each pupil or student shall be coordinated, evaluated, and, notwithstanding subdivision (a) of Section 46300, shall be under the general supervision of an employee of the school district or county office of education who possesses a valid certification document pursuant to Section 44865 or an emergency credential pursuant to Section 44300, registered as required by law.
		28n.	Petition acknowledges that school may claim apportionment credit for independent study only to the extent of the time value of pupil or student work products, as personally judged in each instance by a certified teacher.			51747.5(b) School districts and county offices of education may claim apportionment credit for independent study only to the extent of the time value of pupil or student work products, as personally judged in each instance by a certified teacher.

CHARTER PETITION APPEAL
REVIEW MATRIX

47605] (1) If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education.

Requirement	Found on page:	Item No.	Evaluation Guidance (Provided for guidance purposes only- Primarily based on 5 CCR describing how the State Board will review a charter application. This is <u>NOT</u> a checklist of required items)	Evaluation		Education Code Reference (Required Elements)
				Meets required standard	Fails to meet required standard	
29 English Learners		29a.	Petition provides that all eligible students enrolled in the charter school will receive appropriate English Learner services in accordance with applicable state and federal law.			47605.6(b)(1) The charter presents an unsound educational program for the pupils to enrolled in the charter school.
		29b.	The petition provides that the staff members providing English Learner Services are appropriately credentialed.			
		29c.	The petition describes the manner in which students are identified as requiring English Learner services.			
		29d.	The petition describes the program placement options for students identified as requiring English Learner services.			
		29e.	The petition acknowledges the responsibility of the charter school to provide access to grade-level core curriculum for English Learners. Check for references to the use of the California English-language Development Standards.			
		29f.	Petition references curriculum and materials that will be utilized in the instruction of English Learners.			
		29g.	Petition describes the process for reclassification of English Learners.			
		29h.	Petition tells how reclassified English Learners will be monitored.			

Instructions for District Charters Submitting Certification to CDE

Charter School's Responsibility

This report is to be submitted to the California Department of Education as soon as possible following the 20th school day, but not later than November 5, 2007.

The California Department of Education will accept this report only if it has all necessary signatures. After the responsible charter school official examines and signs the report, please forward the original with original signatures and one copy to the district superintendent of schools (for district approved charter schools) or to the county superintendent of schools (for county approved charter schools). Retain one copy for the charter school's files. Attach this page to certification.

District Superintendent's Responsibility

After review and signature, please forward the original with original signatures and one copy to the county superintendent of schools. Retain one copy for the district files. Attach this page to certification.

County Superintendent's Responsibility

After review and signature, please mail the original report with original signatures to the address below. Retain one copy for the county files.

Mail to:

California Department of Education
School Fiscal Services Division
Charter Schools Fiscal Office
1430 N Street, Suite 3800
Sacramento, CA 95814
Attention: Byron Fong

**California Department of Education
New Grade Level Expansion Charter School Advance Apportionment 20 Day Actual
2007-08 Certification of District Charter School**

County Name :
School Name :
CDS Code :
Charter Number :

Regular Elementary and High School Average Daily Attendance (ADA)

	<u>Total ADA</u>	<u>Classroom Based ADA</u>
A-1 Grades K	_____	_____
A-2 Grades 1	_____	_____
A-3 Grades 2	_____	_____
A-4 Grades 3	_____	_____
A-5 Grades 4	_____	_____
A-6 Grades 5	_____	_____
A-7 Grades 6	_____	_____
A-8 Grades 7	_____	_____
A-9 Grades 8	_____	_____
A-10 Grades 9	_____	_____
A-11 Grades 10	_____	_____
A-12 Grades 11	_____	_____
A-13 Grades 12	_____	_____
Total ADA	_____	_____

Charter School Certification

I hereby certify that, to the best of my knowledge and belief, this report is true and correct and that all data reported on this certification have been compiled and reported in accordance with state and federal laws and regulations and instructions for this report form.

If the county office of education is not going to certify all or a portion of the data reported on this certification, please identify that portion and provide the reason for non-certification in writing and submit to the School Fiscal Services Division, Attention: Scott Hannan, Director

Preparer & Date

Responsible Charter School Official & Date

District Superintendent of Schools & Date

County Superintendent of Schools & Date

Questions: School Fiscal Services Division byfong@cde.ca.gov 916-323-0498

Student Attendance Review

CHARTER SCHOOL:

By _____

Date _____

Student Attendance

General Review

Are there approved policies addressing student attendance?

What attendance accounting system is used?

Is there an approved school calendar?

Is there an approved class (bell) schedule?

Is there a process to monitor compliance with the minimum instructional minute requirements?

Is there a minimum of 175 instructional days?

Does the school maintain a class list for all students?

Is attendance taken daily by the classroom teacher?

Are absences excluded from the apportionment days?

Is there a process to compile school wide ADA?

Are records maintained for audit?

Is each student taught by a credentialed teacher?

Is the Independent Study ADA less than 20% of the total

If Independent Study is 20% or more has a Funding

Determination Form been completed and filed with CDE?

Detail Attendance Report Review P1 _____ P2 _____ Ann _____

Has ADA been entered for program type operated?

District of Residence if Countywide

If ADA is for Classroom Attendance has ADA been entered?

Does ADA reflect reasonable numbers as per student enrollment?

Are amounts entered for NPS Special Education?

(Charters generally do not have students placed in NPS)

Has Free and Reduced Student Enrollment been entered?

Does Report Pass Software edits?

Is Attendance report signed by appropriate Charter Official?

Other

	Yes	No	N/A

Recommended Process for Charter School Closure

Non-regulatory guidance on charter school closures including documentation, notifications, record retention, transfer, and financial closeout.

Suggested Process for Charter School Closures (11/19/01)

For a variety of reasons, it may be necessary for a charter school to close. These may range from a voluntary action by the charter school operators to a revocation of the charter school, for cause, by the authorizing entity or the State Board of Education. While nobody likes to consider the possibility of a school closing, especially at the time it is just beginning, CDE strongly suggests that closeout procedures are established as part of an agreement between the chartering entity and charter school prior to the charter school commencing operation. The considerations suggested in this document are advisory only and do not constitute a requirement on charter schools or their authorizing entities. The procedures should include consideration of the following issues:

Documentation of Closure Action

The decision to close a charter school, for any reason, should be documented by an official action of the governing board of the charter authorizing entity. This may also be supported by an action of the charter school's governing board. The action should identify the reason for the school's closure, whether the charter was revoked, not renewed or closed voluntarily and the effective date of the closure. If the charter school was a conversion school and will return to its traditional school status, the notice should reflect that the school will resume operation as a non-charter public school.

If it is feasible to do so while still maintaining a viable and appropriate educational program, charter school closures should occur at the end of an academic year. Mid-year school closures should be avoided if possible, and the charter school and charter authorizer should work together to ensure that an appropriate, viable and legally compliant education program continues until the end of the school year.

Notification to the California Department of Education and County Office of Education

The charter authorizing entity should send a notice of the school closure to the Charter Schools Unit at the CDE and to the County Office of Education. The notification should include the following information:

1. Charter school name, charter number and CDS code
2. Date of closure action
3. Effective date of the closure, if different
4. Reason for the closure (Specify revoked, not renewed or other reason. If the charter is revoked pursuant to *Education Code* sections [47604.5](#) (Outside Source) or [47606](#) (Outside Source), or not renewed pursuant to *Education Code* Section [47607](#) (Outside Source), the notice should clearly state that the charter has been revoked or not renewed, as appropriate. If it is being closed for other reasons, the notice should specify the reason(s) and clarify that the charter school is being closed, but not revoked.)
5. If a conversion charter school, whether the school will be reopened as a non-charter school

After receiving the notification of closure, CDE will notify the charter school and the authorizing entity if it is aware of any liabilities that the charter school owes the state, such as overpayment of apportionments, unpaid revolving fund loans, grants, etc. The CDE may contact the county office of education or independently contract for an audit of the charter school if it has reason to believe that the school received state funding for which it was not eligible.

Notification to Parents and Students

Parents and students of the charter school should be notified as soon as possible when it appears that school closure will be imminent. The notification should include information on assistance in transferring the student to another appropriate school and a process for the transfer of all student records.

Parents should also be provided with a certified packet of student information that may include the closure notice, grade reports, discipline records, immunization records, etc. This will facilitate transfer to another school. For high school students, the information should include specific information on completed courses and credits that meet graduation requirements and college entrance requirements.

Notification to Receiving Districts

The charter school or authorizing entity should notify any school district that may be responsible for providing education services to the former students of the charter school so that the receiving district(s) may assist in facilitating student transfers.

Student and School Records Retention and Transfer

The charter school and the authorizing entity should establish a process for the transfer of student records to the students' district of enrollment eligibility or other school to which the student will transfer. The charter school and/or authorizing entity should assist parents in the transfer of the students to other appropriate schools and facilitate the transfer of all student records. The authorizing entity and the charter school should agree to a plan for the maintenance and transfer of student records which may allow the authorizing entity to accept charter school records in the event the charter school is unable to meet this responsibility. The plan should include provisions for the authorizing entity to maintain all school records, including financial and attendance records, for a reasonable period after the school closure.

Financial Close-Out

The charter school and/or its authorizing entity should have an independent audit of the charter school completed within 6 months after the closure of the school. This may coincide with the regular required annual audit of the school. The purpose of the audit is to determine the net assets or net liabilities of the charter school. The assessment should include an accounting of all charter school assets, including cash and accounts receivable and an inventory of property, equipment and supplies. It should also include an accounting of the school's liabilities including any accounts receivable, which may include, reduction in apportionments as a result of audit findings or other investigations, loans and unpaid staff compensation. The audit should also assess the disposition of any restricted funds received by or due to the charter school. The cost of the audit may be considered a liability of the charter school.

In addition to a final audit, the charter school should also submit any required year-end financial reports to the CDE and the authorizing entity in the form and time frame required. These reports should be submitted as soon as possible after the closure action, but no later than the required deadline for reporting for the fiscal year. If the charter school chooses to submit this information before the forms and software are available for the fiscal year, they can work with CDE on alternate forms.

For apportionment purposes for categorical programs based on prior year data, the CDE will count the ADA or enrollment of the closed charter school with the data of the charter-authorizing entity in the first year after the closure, until normal CDE data collection processes reflect ADA or enrollment adjustments due to closed charter schools for all affected LEAs.

Dissolution of Assets

Upon completion of the closeout audit the authorizing entity and the charter school should develop a plan for the repayment of any liabilities, or the disbursement of any remaining assets of the charter school.

If the charter school is a nonprofit corporation, and the corporation does not have any other functions than operation of the charter school, the corporation should be dissolved according to its bylaws. The corporation's bylaws should address how assets are to be distributed at the closure of the corporation.

liabilities. To the extent possible, any remaining restricted assets, such as grant funds and restricted categorical funds, should be returned to their source. Net assets of the charter school may be transferred to the authorizing entity. However, based on the corporation's bylaws or an agreement between the authorizing entity and the charter school, the net assets may be transferred to another public agency such as another public charter school.

Questions: Charter School Staff | charters@cde.ca.gov | 916-322-6029

Sample spreadsheet for calculation of transfers to charter schools in lieu of property taxes, per E.C. 47635

a	b	c	d	e	f	g	h	i	j	k	l	m	n
						6%	12%	8%	8%	8%	8%	8%	
						Aug	Sept	Oct	Nov	Dec	Jan	Feb	To Date
El Dorado County 2005-06	Local Property Taxes (04-05 P-2)	Dist & Charter Total In Lieu ADA (04-05 P-2)	Prop Tax per ADA (b / c)	Charter School ADA (04-05 P-2)	In Lieu based on Pr Yr P-2 (d * e)								
In County Transfers													
Black Oak Mine-EDCOE	4,847,452	1,926.93	\$2,515.63	7.46	\$ 18,767	1,126	2,252	1,501	1,501	1,501	1,501	1,501	\$ 10,883
Buckeye - EDCOE	\$8,202,425	4,419.62	\$1,855.91	30.92	\$ 57,385	3,443	6,886	4,591	4,591	4,591	4,591	4,591	\$ 33,284
Buckeye-BU Montessori	\$8,202,425	4,419.62	\$1,855.91	15.62	\$ 28,989	1,739	3,479	2,319	2,319	2,319	2,319	2,319	\$ 16,813
Camino - EDCOE	1,121,956	505.59	\$2,219.10	5.12	\$ 11,362	682	1,363	909	909	909	909	909	\$ 6,590
EDUHS - EDCOE	20,687,267	6,961.00	\$2,971.88	137.78	\$ 409,466	24,568	49,136	32,757	32,757	32,757	32,757	32,757	\$ 237,489
EDUHS - Shenandoah	20,687,267	6,961.00	\$2,971.88	100.47	\$ 298,585	17,915	35,830	23,887	23,887	23,887	23,887	23,887	\$ 173,180
Gold Oak - EDCOE	1,319,509	747.33	\$1,765.63	16.55	\$ 29,221	1,753	3,507	2,338	2,338	2,338	2,338	2,338	\$ 16,950
Gold Oak-Gold Oak Arts	1,319,509	747.33	\$1,765.63	79.49	\$ 140,350	8,421	16,842	11,228	11,228	11,228	11,228	11,228	\$ 81,403
Gold Trail - EDCOE	1,284,905	604.36	\$2,126.06	18.80	\$ 39,970	2,398	4,796	3,198	3,198	3,198	3,198	3,198	\$ 23,184
Latrobe - EDCOE	925,892	210.28	\$4,403.14	1.46	\$ 6,429	386	771	514	514	514	514	514	\$ 3,727
Mother Lode -EDCOE	3,021,672	1,593.02	\$1,896.82	24.57	\$ 46,605	2,796	5,593	3,728	3,728	3,728	3,728	3,728	\$ 27,029
Pioneer -EDCOE	1,396,988	534.57	\$2,613.29	15.47	\$ 40,428	2,426	4,851	3,234	3,234	3,234	3,234	3,234	\$ 23,447
Placerville - EDCOE	2,598,901	1,258.47	\$2,065.13	27.51	\$ 56,812	3,409	6,817	4,545	4,545	4,545	4,545	4,545	\$ 32,951
Pollock Pines - EDCOE	1,732,198	788.21	\$2,197.64	11.20	\$ 24,614	1,477	2,954	1,969	1,969	1,969	1,969	1,969	\$ 14,276
Rescue - EDCOE	6,908,199	3,585.09	\$1,926.92	20.98	\$ 40,427	2,426	4,851	3,234	3,234	3,234	3,234	3,234	\$ 23,447
Out of County Billings													
Folsom Cordova-EDCOE	33,006,500	17,446.06	\$1,891.92	3.83	\$ 7,246	435	870	580	580	580	580	580	\$ 4,205
Sac City Unified-EDCOE	60,034,900	49,393.17	\$1,215.45	1.77	\$ 2,152	129	258	172	172	172	172	172	\$ 1,247
San Juan Unif-EDCOE	74,222,700	49,014.54	\$1,514.30	1.00	\$ 1,514	91	182	121	121	121	121	121	\$ 878
Amador Unified-EDCOE	15,398,916	4,548.54	\$3,385.46	4.85	\$ 16,419	985	1,970	1,314	1,314	1,314	1,314	1,314	\$ 9,525

Sample spreadsheet for calculation of transfers to charter schools in lieu of property taxes, per E.C. 47635 (continued)

a	b	c	d	e	f	g	h	i	j	k	l
							33.33%	16.67%	16.67%	16.67%	
El Dorado County 2005-06	Local Property Taxes (05-06 P-1)	Dist & Charter Total In Lieu ADA (05-06 P-1)	Prop Tax per ADA (b / c)	Charter School ADA (05-06 P-1)	In Lieu based on Cr Yr P-1 (d * e)	Remaining Balance	Mar	Apr	May	Jun	To Date
In County Transfers											
Black Oak Mine-EDCOE	5,433,545	1,896.58	\$2,864.92	11.37	\$ 32,574	\$ 21,691	7,230	3,615	3,615	3,615	\$ 28,958
Buckeye - EDCOE	9,799,403	4,515.90	\$2,169.98	30.25	\$ 65,642	\$ 32,358	10,786	5,393	5,393	5,393	\$ 60,249
Buckeye-BU Montessori	9,799,403	4,515.90	\$2,169.98	33.07	\$ 71,761	\$ 54,948	18,316	9,158	9,158	9,158	\$ 62,603
Camino - EDCOE	1,244,086	502.22	\$2,477.17	9.03	\$ 22,369	\$ 15,779	5,260	2,630	2,630	2,630	\$ 19,740
EDUHS - EDCOE	23,866,022	7,298.63	\$3,269.93	190.02	\$ 621,352	\$383,863	127,954	63,977	63,977	63,977	\$557,374
EDUHS - Shenandoah	23,866,022	7,298.63	\$3,269.93	117.02	\$ 382,647	\$209,467	69,822	34,911	34,911	34,911	\$347,735
Gold Oak - EDCOE	1,492,215	725.77	\$2,056.04	17.41	\$ 35,796	\$ 18,846	6,282	3,141	3,141	3,141	\$ 32,655
Gold Oak-Gold Oak Arts	1,492,215	725.77	\$2,056.04	69.27	\$ 142,422	\$ 61,019	20,340	10,170	10,170	10,170	\$132,253
Gold Trail - EDCOE	1,429,935	551.17	\$2,594.36	13.42	\$ 34,816	\$ 11,632	3,877	1,939	1,939	1,939	\$ 32,878
Latrobe - EDCOE	1,049,771	215.42	\$4,873.14	-	\$ -	\$ (3,727)	\$ (1,242)	\$ (621)	\$ (621)	\$ (621)	\$ 622
Mother Lode -EDCOE	3,382,719	1,530.70	\$2,209.92	19.03	\$ 42,055	\$ 15,026	5,009	2,504	2,504	2,504	\$ 39,550
Pioneer -EDCOE	1,571,489	478.63	\$3,283.31	10.14	\$ 33,293	\$ 9,846	3,282	1,641	1,641	1,641	\$ 31,652
Placerville - EDCOE	2,927,337	1,265.28	\$2,313.59	38.20	\$ 88,379	\$ 55,428	18,476	9,238	9,238	9,238	\$ 79,141
Pollock Pines - EDCOE	1,940,867	766.48	\$2,532.18	13.06	\$ 33,070	\$ 18,794	6,265	3,132	3,132	3,132	\$ 29,937
Rescue - EDCOE	8,113,443	3,686.83	\$2,200.66	22.23	\$ 48,921	\$ 25,474	8,491	4,246	4,246	4,246	\$ 44,676
Out of County Billings											
Folsom Cordova-EDCOE	36,656,400	17,735.55	\$2,066.83	4.92	\$ 10,169	5,964	1,988	994	994	994	\$ 9,175
Sac City Unified-EDCOE	66,312,600	48,273.50	\$1,373.69	0.87	\$ 1,196	(51)	(17)	(9)	(9)	(9)	\$ 1,203
San Juan Unif -EDCOE					\$ -	(878)	(293)	(146)	(146)	(146)	\$ 147
Amador Unified-EDCOE	16,932,800	4,620.22	\$3,664.93	2.13	\$ 7,806	(1,719)	(573)	(287)	(287)	(287)	\$ 8,091

Sample spreadsheet for calculation of transfers to charter schools in lieu of property taxes, per E.C. 47635 (continued)

a	b	c	d	e	f	g
El Dorado County 2005-06	Local Property Taxes (05-06 P-2)	Dist & Charter Total In Lieu ADA (05-06 P-2)	Prop Tax per ADA (b / c)	Charter School ADA (05-06 P-2)	In Lieu based on Cr Yr P-2 (d * e)	July
In County Transfers						
Black Oak Mine-EDCOE	5,465,014	1,879.75	\$ 2,907.31	12.01	\$ 34,917	\$ 5,959
Buckeye - EDCOE	9,895,417	4,515.25	\$ 2,191.55	31.68	\$ 69,428	\$ 9,179
Buckeye-BU Montessori	9,895,417	4,515.25	\$ 2,191.55	32.53	\$ 71,291	\$ 8,688
Camino - EDCOE	1,242,873	502.72	\$ 2,472.30	9.72	\$ 24,031	\$ 4,291
EDUHS - EDCOE	23,995,328	7,164.83	\$ 3,349.04	179.93	\$ 602,593	\$ 45,219
EDUHS - Shenandoah	23,995,328	7,164.83	\$ 3,349.04	114.64	\$ 383,934	\$ 36,199
Gold Oak - EDCOE	1,506,824	710.41	\$ 2,121.06	17.55	\$ 37,225	\$ 4,570
Gold Oak-Gold Oak Arts	1,506,824	710.41	\$ 2,121.06	69.32	\$ 147,032	\$ 14,779
Gold Trail - EDCOE	1,440,723	551.88	\$ 2,610.57	13.59	\$ 35,478	\$ 2,600
Latrobe - EDCOE	1,053,809	214.79	\$ 4,906.23	-	\$ -	\$ (622)
Mother Lode -EDCOE	3,412,450	1,531.60	\$ 2,228.03	19.96	\$ 44,471	\$ 4,921
Pioneer -EDCOE	1,578,257	473.64	\$ 3,332.19	10.49	\$ 34,955	\$ 3,303
Placerville - EDCOE	2,949,713	1,267.07	\$ 2,327.98	39.76	\$ 92,560	\$ 13,419
Pollock Pines - EDCOE	1,944,826	765.64	\$ 2,540.13	14.27	\$ 36,248	\$ 6,311
Rescue - EDCOE	8,189,074	3,676.33	\$ 2,227.51	25.14	\$ 56,000	\$ 11,324
Out of County Billings						
Folsom Cordova-EDCOE	36,607,000	17,545.96	\$ 2,086.35	4.77	\$ 9,952	\$ 777
Sac City Unified-EDCOE	66,665,200	48,375.02	\$ 1,378.09	0.49	\$ 676	\$ (527)
San Juan Unif -EDCOE					\$ -	\$ (147)
Amador Unified-EDCOE	16,932,800	4,587.13	\$ 3,691.37	2.07	\$ 7,641	\$ (450)

Charter School Matrix Part One

COUNTY OFFICE OF EDUCATION CHARTER SCHOOL MATRIX

PART ONE: Initial Charter Petition to MCOE...E.C. 47605.5 ☐ Charter Petition Review on Appeal...E.C. 47605 (j) (1) ☐
Annual Performance Audit ☐ Charter Renewal ☐

REQUIRED PETITION SIGNATURES IF CONVERSION OF EXISTING PUBLIC SCHOOL (Education Code 47605(a))				
	Yes	No	N/A	
• 50% of permanent status teachers of school to be converted, in the form required by law				
REQUIRED PETITION SIGNATURES IF NOT CONVERSION OF EXISTING PUBLIC SCHOOL (Education Code 47605(a))				
• 50% of parents/guardians of the number of age appropriate students expected to enroll for 1st year of operation, in the form required by law	Yes	No	N/A	
OR				
• 50% of the number of appropriately credentialed teachers expected to be employed during 1st year of operation, in the form required by law.	Yes	No	N/A	
REQUIRED AFFIRMATIONS (Education Code 47605(d)(1))				
Statement that school will be non-sectarian in its programs, admission policies, employment practices, and all other operations, will not charge tuition, and will not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability				
REQUIRED ELEMENTS (Education Code 47605(A)-(P))/(ADDITIONAL REQUIRED INFORMATION				
A. Educational Program				
1. Targeted School Populations				
Age, grade levels and number of students	Yes	No	N/A	
Describe students whom the charter will attempt to educate; describe how the charter will improve learning for the targeted population				
Clear and concise Mission Statement that defines the purposes and nature of the charter school				
2. Attendance				
Includes school year/day, academic calendar, number of school days and instructional minutes				
Includes attendance expectations and requirements				
3. What it Means to be an Educated Person in The 21st Century				
Objective of enabling pupils to become self-motivated, competent, lifelong learners				
Clear list of general academic skills and qualities important for an educated person				
Clear list of general non-academic skills and qualities important for an educated person				

Charter School Matrix

Part One

4. Description of How Learning Best Occurs		Yes	No	N/A
Framework for instructional design aligned with needs of target population and based upon successful practice and research				
Description of instructional approaches and strategies including curriculum, teaching methods, materials and technology				
Description of basic learning environment (e.g., site-based, independent study, etc.)				
Discussion of how chosen instructional approach will enable students to achieve objectives specified in the charter and master academic content standards in core curriculum areas				
Proposed program strongly aligned to school's mission				
Proposal includes, at a minimum, full curriculum for one course or grade level; Proposal also provides that a full curriculum will be submitted prior to the opening of school				
Describes how charter school will identify and respond to needs of students not achieving at or above expected levels				
Describes how the charter school will identify and respond to needs of students who are academically high achieving				
Describes how charter school will identify and respond to needs of English Learners				
Describes how charter school will identify and respond to needs of students with disabilities (See Special Education section starting on page 13 of this matrix)				
5. Additional Requirements for Charter Schools Serving High School Students		Yes	No	N/A
How Charter School will inform parents about the transferability of courses to other public high schools				
How Charter School will inform parents about the eligibility of courses to meet college entrance requirements				
Comments:				

Charter School Matrix

Part One

B. Measurable Student Outcomes and Other Uses of Data	Yes	No	N/A
Describes clearly measurable outcomes to be used by charter school, e.g., attainment of skills, knowledge and attitudes listed in goals in school educational program			
How pupil outcomes will address state content and performance standards in core academics			
Clearly stated exit outcomes including acquisition of academic and non-academic skills			
Affirmation that "benchmark" skills and specific classroom-level skills will be developed			
Affirmation/description: exit outcomes will align to mission, curriculum and assessments			
Affirmation that college-bound students wishing to attend California colleges or universities will have the opportunity to take courses that meet the "A-G" requirements			
Lists school-wide student performance goals students will achieve over a given period of time: Projected attendance levels, dropout percentage, graduation rate goals, etc.			
Acknowledges that exit outcomes and performance goals may need to be modified over time			
If high school, graduation requirements defined and WASC accreditation addressed			
Comments:			

C. The Method by Which Pupil Progress in Meeting the Pupil Outcomes Will be Measured	Yes	No	N/A
At least one assessment method or tool listed for each of the exit outcomes			
Assessments include multiple, valid and reliable measures using traditional/alternative tools			
Assessment tools include all required state and federal assessments (Including STAR, API, AYP, CHSEE, CELD and physical performance test)			
Chosen assessments are appropriate for standards and skills they seek to measure			
Description of how assessments align to mission, exit outcomes, and curriculum			
Describes minimal required performance level necessary to attain each standard			
Outlines plan for collecting, analyzing/utilizing and reporting student/school performance data to school staff, parents/guardians and MCOE			
Comments			

Charter School Matrix

Part One

D. Governance Structure of School Including, But Not Limited to, Parental Involvement	Yes	No	N/A
Describes what role parents have in the governance and operation of the school			
Describes key features of governing structure (usually a board of directors) such as:			
• Compliance with Brown Act, Public Records Act and Conflict of Interest Policy			
• Size/composition of board, board committees and/or advisory councils			
• Board's scope of authority/responsibility along with role of school administration			
• Method for selecting initial board members along with Board election/appointment and replacement procedure			
• Describes how Board will be developed in terms of supplementing necessary skills and providing training in effective board practices			
Includes proposed bylaws, basic policies for Board functions, as well as those necessary for opening and operating a school and/or similar documents			
Initial governing board members identified by name or the process to be used to select them			
Clear description of the legal organization of the charter school including evidence of non profit public benefit status, if applicable			
Outlines other important legal or operational relationships between school and granting agency in accordance with the general contents of an MOU or Operating Agreement			
Describes structure for providing business/administrative services including personnel, accounting, payroll, etc.			
Comments:			
E. Qualifications to be Met by Individuals to be Employed by The School	Yes	No	N/A
Describes qualifications to be met by those to be employed by school, including standards to be used in hiring teachers, administrators and other school staff			
Includes general qualifications for various categories of employees and desired professional backgrounds, depth of experience and other qualities to be sought in their selection			
Specifies key positions in each category, along with additional qualifications expected of individuals to be selected for these positions			

Charter School Matrix

Part One

Defines core academic teachers & affirms they will hold appropriate Commission on Teacher Credentialing certificate, permit or other equivalent document; provides specific credentials to be required along with discussion of how this will satisfy requirements for “highly qualified teachers” under the No Child Left Behind Act	Yes	No	N/A
Identifies teaching positions which are not considered core academic, along with required qualifications			
Comments:			
F. Health and Safety Procedures	Yes	No	N/A
Affirms that each employee will furnish the school with a criminal record summary, as well as proof of freedom from tuberculosis			
Outlines specific health and safety practices addressing such key areas as:			
• Seismic safety (structural integrity and earthquake preparedness)			
• Natural disasters and emergencies			
• Immunizations, health screenings, administration of medications			
• Zero tolerance for use of drugs and tobacco			
• Staff training on emergency and first aid response			
References accompanied by a detailed set of health and safety related policies/procedures or the date by which they will be adopted and submitted to the MCOE			
Comments:			

Charter School Matrix

Part One

G. Means to Achieve a Racial and Ethnic Balance		Yes	No	N/A
Lists specific practices/policies designed to attract a diverse applicant pool/enrollment:				
Practices and policies appear likely to achieve targeted racial and ethnic balance				
Comments:				
H. Admissions Requirements		Yes	No	N/A
Mandatory assurances regarding non-discriminatory admission procedures				
Admission preferences which are required for conversion charter schools, if applicable				
Clearly describes admissions requirements, including any admission preferences				
Proposed admissions and enrollment process and timeline, as well as procedures for public random drawings, if necessary				
Comments:				
I. Financial Audit		Yes	No	N/A
Describes manner in which annual, independent financial audit will be completed by December 15 following the close of each fiscal year				
Describe who will be responsible for contracting and overseeing the independent audit				
Specifies that the auditor will have experience in education finance				
Describes the scope of the audit including a review of average daily attendance				
Provides scope and timing of audit, as well as required distribution of completed audit to the Marin County Office of Education, State Controller's Office and California Department of Education				
Process and timeline for resolving audit exceptions and deficiencies to the satisfaction of the Marin County Office of Education				
Comments:				

Charter School Matrix Part One

J. Pupil Suspension and Expulsion		Yes	No	N/A
Detailed, step-by-step process by which student may be suspended or expelled				
Reference to a comprehensive set of student disciplinary policies				
Outlines or describes strong understanding of relevant laws protecting constitutional rights of students, generally, and of disabled and other protected classes of students, in particular.				
Policies balance students' rights to due process with responsibility to maintain a safe learning environment				
Explains how policies and procedures regarding suspension and expulsion will be periodically reviewed and modified				
Explains how MCOE may be involved in disciplinary matters				
Comments:				
K. Staff Retirement System		Yes	No	N/A
Describes manner by which staff members will be covered by STRS, PERS and/or federal social security; or how the charter school will create a system to address employees' retirement funding				
Specifies specific positions to be covered by each system and staff designated to ensure that arrangements for coverage are made				
Comments:				
L. Attendance Alternatives		Yes	No	N/A
States that students may attend other schools or pursue an inter-district transfer in accordance with existing district or county enrollment and transfer policies and/or description of other attendance alternatives				
Provides that parents/guardians will be informed that students have no right to admission in a particular school in any district as a consequence of enrollment in the charter school				
Comments:				

Charter School Matrix

Part One

M. Description of Employee Rights	States that collective bargaining contracts of MCOE will be controlling as to whether and how charter school staff may carry over Sick/vacation leave if allowed to resume former employment within MCOE, if applicable	Yes	No	N/A
	States that collective bargaining contracts of MCOE will be controlling as to whether and how charter school staff may continue to earn service credit (tenure) with MCOE while at charter school, if applicable			
	Comments:			
N. Dispute Resolution Process	Outlines a simple process for the charter school and the Marin County Office of Education to settle disputes relating to the provisions of the charter	Yes	No	N/A
	Outlines process by charter school will resolve internal complaints and disputes			
	Comments:			
O. Labor Relations	States whether charter or MCOE will be employer for EERA purposes	Yes	No	N/A
	If Marin County Office of Education is to be the employer, includes provisions clarifying charter's role in collective bargaining process			
	Comments:			

Charter School Matrix

Part One

P. Closure of Charter School		Yes	No	N/A
Outlines a detailed description of the process to be used if the charter school closes				
Process includes a final audit of the charter school, specific plans for disposition of all net assets and liabilities, as well as for the maintenance and transfer of pupil records				
OTHER CONSIDERATIONS				
Likelihood that the Petitioners Will be Able to Successfully Implement the Program of the Proposed Charter		Yes	No	N/A
The Petition includes a thorough description of the education, work experience, credentials, degrees and certifications of the individuals comprising, or proposed to comprise, the directors, administrators and managers of the proposed charter school				
The Petition includes a list of consultants whom the charter school has engaged, or proposes to engage, for the purpose of developing, operating and evaluating the charter school, together with a thorough description of the qualifications of such consultants.				
Does the information provided in the proposal confirm that the school will have the services of individuals who have the necessary background in curriculum, instruction, assessment, finance, facilities, business management, organization, governance and administration?				
Comments:				
Geographic and Site Limitations		Yes	No	N/A
Does the Petition propose to operate a single charter school within the county, or in the case of a charter proposal initially denied by a local governing board, within the geographic jurisdiction of the school district to which the charter was originally submitted?				
If not, does the Petition demonstrate any basis for an exception permitted by law? In this case, does the Petition provide for the notification steps required by law?				
Does the Petition identify the precise location where the school will operate?				
Does the Petition include a description of the facilities in which the charter school will operate?				
Grade Level Limitations (For Petitions Being Reviewed on Appeal)		Yes	No	N/A
In the event an Initial Charter Petition proposes to serve one or more grade levels not served by the district which initially denied the Petition, does it propose to serve all of the grade levels which are served by the district?				

Charter School Matrix

Part One

EFFECTIVE DATE	Yes	No	N/A
Does the Petition demonstrate that the charter school will commence operation by September 30 of its first year of operation?			
FINANCIAL & ORGANIZATIONAL ACCOUNTABILITY	Yes	No	N/A
A detailed review of the annual budget development, implementation and review process including the process by which the charter school leadership and governance team will monitor and report regarding the continuing financial solvency of the school.			
Detailed description of the manner, format and content by which the charter school will regularly report its current and projected financial viability			
Detailed description of the organization, scope and preparation of the following financial documents and reports:			
<ul style="list-style-type: none"> a. A preliminary budget on or before July 1 each year. b. An interim financial report, reflecting changes through October 31, on or before December 15 each year. c. A second interim financial report, reflecting changes through January 31, on or before March 15 each year. d. A final unaudited, financial report for the full prior year on or before September 15 each year. 			
Description of the process by which the school will comply with all reports required for charter schools by law; includes copy of each required report to MCOE	Yes	No	N/A
Comments:			
REQUIRED SUPPLEMENTAL INFORMATION (Education Code 47605(g))			
Financial Plan	Yes	No	N/A
First year operational budget			
• Start-up costs			
• Cash flow for first three years			
• Financial projections for first three years			

Charter School Matrix

Part One

Planning Assumptions	Yes	No	N/A
• Number/types of students			
• Number of staff			
• Facilities needs			
• Costs of all major items are identified and within reasonable market ranges			
• Revenue assumptions in line with state and federal funding guidelines			
• Revenue from “soft” sources less than 10% of ongoing operational costs			
• Timeline allows window for referenced grant applications to be submitted and funded			
Start-Up Costs	Yes	No	N/A
• Clearly identifies all major start-up costs			
Staffing			
Facilities			
Equipment and Supplies			
Professional Services			
• Assumptions in line with overall school design plan			
• Identifies potential funding source			
• Timeline allows for grant and fundraising			
Annual Operating Budget	Yes	No	N/A
• Annual revenues and expenditures clearly identified by source			
• Revenue assumptions closely related to applicable state and federal funding formulas			
• Expenditure assumptions reflect school design plan			
• Expenditure assumptions reflect market costs			
• “Soft” revenues not critical to solvency			
• Strong reserve or projected ending balance (the larger of 3% of expenditures or \$25,000)			
• If first year is not in balance, identifies solvency in future years and sources of capital sufficient to cover deficits until the school year when the budget is projected to balance			
• Expenditure for general liability, workers compensation & other types of insurance with evidence that petitioners have researched cost and availability; policies to name the MCOE as also insured and provide hold harmless agreement			
• Expenditure sufficient for reasonably expected legal services			
• Expenditure for Special Education excess costs consistent with current experience in the school district/county			
Cash Flow Analysis	Yes	No	N/A
• Monthly projection of revenue receipts in line with local/state/federal funding disbursements			

Charter School Matrix

Part One

• Expenditures projected by month and correspond with typical/reasonable schedules			
• Show positive fund balance each month and/or identify sources of working capital			
Long-term Plan	Yes	No	N/A
• Projects revenues and expenditures for at least two additional years			
• Revenue assumptions based on reasonable potential growth in local, state and federal revenues			
• Revenue assumptions based on reasonable student growth projections			
• Reasonable cost-of-living and inflation assumptions			
• Annual fund balances are positive or sources of supplemental working capital are identified			
If the charter school intends to enter a contract with an educational management organization (EMO), does the proposal include the following:			
Description of the proposed contract including roles, responsibilities, payment structure, conditions for renewal/termination and investment disclosure?			
Description of EMO's role in the financial management of the charter school and the internal controls which will guide this relationship?			
List of other schools managed by EMO including contract information?	Yes	No	N/A
Summary of EMO history and philosophy, past results of school management efforts and background on its corporate leaders?			
Comments:			
Impact Statement	Yes	No	N/A
Provides estimated numbers of students anticipated to enroll			
Identifies whether charter will request to purchase support services from MCOE or district			
Describes suggested processes and policies between charter and MCOE			
Includes:			
• Process, activities and associated fees for oversight of charter			
• Content, processes, timelines, and evaluation criteria for annual review and site visits			
• Regular, ongoing fiscal and programmatic performance monitoring and reporting			
• Content, process, timelines and evaluation criteria for charter renewal			
Proposed support service needs and suggested payments to MCOE or district for services			
• Clearly drafted contract/agreement or reference to MOU	Yes	No	N/A

Charter School Matrix

Part One

Identify whether a request will be made for use of MCOE or district-owned facilities			
Reasonably detailed lease or occupation agreement for privately obtained facilities			
Proposed legal status of school is identified			
Describes the manner in which administrative services of the charter school are to be provided			
Identify whether school intends to manage risk independently or will seek to secure coverage through the Marin County Office of Education or other public agency			
Addresses potential civil liability effects, if any, upon the school and the MCOE			
Comments:			
Special Education/SELPA (Marin County SELPA Charter School Policy)			
Identifies whether the charter will be an independent LEA for special education purposes			N/A
Has consulted with the Marin County SELPA Director			
• Discussed special education responsibilities of charter			
• Discussed application of SELPA policies			
Describes how special education services will be provided consistent with Marin SELPA Plan and/or policies and procedures			
• Includes fiscal allocation plan			
If charter not an independent LEA:			
• Clarifies in charter or an MOU the responsibilities of each party for service delivery			
Referral			
Assessment			
Instruction			
Due Process			
Agreements describing allocation of actual and excess costs			
Charter fiscally responsible for fair share of any encroachment on general funds			
If charter is LEA within SELPA			
• Notifies SELPA Director of intent prior to February 1 st of the preceding school year	Yes	No	N/A
• Located within Marin County SELPA geographical boundaries			
• Provides current operating budget in accordance with Ed Code 42130 and 42131			
• Provides assurances that all be instructed in safe environment			
• Provides copy of original charter petition and any amendments			
• Responsible for any legal fees relating to application and assurances process	Yes	No	N/A

Charter School Matrix

Part One

<ul style="list-style-type: none"> Meets the terms of the “Agreement Regarding the Organization, Implementation, Administration and Operation of the Marin SELPA” Meets the terms of all Marin SELPA policies and procedures Charter fiscally responsible for fair share of any encroachment on general funds 			
Petition includes the following assurances:			
<ul style="list-style-type: none"> The charter will comply with all provisions of IDEA No student will be denied admission based on disability or lack of available services Will implement a Student Study Team process Any student potentially in need of Section 504 services will be the responsibility of the charter school 			
Petition/MOU describes the process for notifying district of residence and authorizing school district when a special education student enrolls, becomes eligible, ineligible and/or leaves charter school			
Overview of how special education funding and services will be provided by:			
<ul style="list-style-type: none"> Charter School Marin County Office of Education SELPA 			
Petition/MOU describes the transition to or from a district when a student with an IEP enrolls in, or transfers out of, the charter school	Yes	No	N/A
Comments			
ANNUAL PERFORMANCE AUDITS			
Petition/MOU describes what will be included as part of performance audits, including:	Yes	No	N/A
<ul style="list-style-type: none"> Review of each component of Initial/Renewal Charter Petition for compliance Analysis of whether goals are being met; review of all state and federal student assessment data and reports Summary of major decisions made/policies established by the board in each year Data on level of parent involvement in governance and operation of the school Summary data from annual student/parent satisfaction survey Data regarding number of staff, their qualifications and verification of credentials Copy of health/safety procedures and summary of any major changes 			
	Yes	No	N/A

Charter School Matrix Part One

[illegible]

Charter School Matrix

Part One

Is student performance significantly improved and/or consistently strong as indicated by test results, API and AYP? Effective January 1, 2005, or after the charter school has been in operation four years, whichever is later, does the charter school meet the renewal requirements contained in the Charter Schools Act?	Yes	No	N/A
Viability of School			
Financially solvent?			
Enrollment stable and near capacity?			
School governance sound?			
Professional staff competent?			
Submission of charter renewal proposal in accordance with timelines and process outlined in Marin County Board of Education Policy	Yes	No	N/A
When approved or denied, the MCOE will forward notice to CDE and other agencies as required by law			
Comments:			

Charter School Matrix Part Two

COUNTY OFFICE OF EDUCATION CHARTER SCHOOL PETITION/MOU REVIEW MATRIX

PART TWO: Initial Charter Petition to MCOE E.C. (47605.6) <input type="checkbox"/> Annual Performance Audit <input type="checkbox"/> Charter Renewal <input type="checkbox"/>			
INITIAL FINDING BY THE COUNTY BOARD OF EDUCATION (Education Code 47605.6 (a)(1))			
To be approved under this section, the County Board of Education must determine that this countywide charter, in addition to other requirements of law, will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter that operates in only one school district in the county	Yes	No	N/A
REQUIRED PETITION SIGNATURES (Education Code 47605.6(a)(1)(A) & (B))			
<ul style="list-style-type: none"> Parents/guardians, residing in Marin County, representing at least 50% of the number of age appropriate students expected to enroll for 1st year of operation, in the form required by law 	Yes	No	N/A
OR			
<ul style="list-style-type: none"> 50% of the number of appropriately credentialed teachers expected to be employed during 1st year of operation, in the form required by law. 	Yes	No	N/A
Before approval of the charter proposal is considered, each of the school districts in which the charter school applicant proposes to operate a facility will have received at least 30 days notice of such intent.			
REQUIRED AFFIRMATIONS (Education Code 47605.6(e)(1))			
Statement that school will be non-sectarian in its programs, admission policies, employment practices, and all other operations, will not charge tuition, and will not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability			
REQUIRED ELEMENTS (Education Code 47605.6(b)(5)(A)-(M))/ADDITIONAL REQUIRED INFORMATION			
A. Educational Program			
1. Targeted School Populations			
Age, grade levels and number of students			
Describe students whom the charter will attempt to educate; describe how the charter will improve learning for the targeted population			
Clear and concise Mission Statement that defines the purposes and nature of the charter school			
2. Attendance			
Includes school year/day, academic calendar, number of school days and instructional minutes			
Includes attendance expectations and requirements			

Charter School Matrix

Part Two

3. What it Means to be an Educated Person in The 21st Century				
Objective of enabling pupils to become self-motivated, competent, lifelong learners				
Clear list of general academic skills and qualities important for an educated person				
Clear list of general non-academic skills and qualities important for an educated person				
4. Description of How Learning Best Occurs				
Framework for instructional design aligned with needs of target population and based upon successful practice and research				
Description of instructional approaches and strategies including curriculum, teaching methods, materials and technology				
Description of basic learning environment (e.g., site-based, independent study, etc.)				
Discussion of how chosen instructional approach will enable students to achieve objectives specified in the charter and master academic content standards in core curriculum areas				
Proposed program strongly aligned to school's mission				
Proposal includes, at a minimum, full curriculum for one course or grade level; Proposal also provides that a full curriculum will be submitted prior to the opening of school				
Describes how charter school will identify and respond to needs of students not achieving at or above expected levels				
Describes how the charter school will identify and respond to needs of students who are academically high achieving				
Describes how charter school will identify and respond to needs of English Learners				
Describes how charter school will identify and respond to needs of students with disabilities (See Special Education section starting on page 12 of this matrix)				
5. Additional Requirements for Charter Schools Serving High School Students				
How Charter School will inform parents about the transferability of courses to other public high schools				
How Charter School will inform parents about the eligibility of courses to meet college entrance requirements				
Comments:				

Charter School Matrix Part Two

B. Measurable Student Outcomes and Other Uses of Data	Yes	No	N/A
Describes clearly measurable outcomes to be used by charter school, e.g., attainment of skills, knowledge and attitudes listed in goals in school educational program			
How pupil outcomes will address state content and performance standards in core academics			
Clearly stated exit outcomes including acquisition of academic and non-academic skills			
Affirmation that "benchmark" skills and specific classroom-level skills will be developed			
Affirmation/description: exit outcomes will align to mission, curriculum and assessments			
Affirmation that college-bound students wishing to attend California colleges or universities will have the opportunity to take courses that meet the "A-G" requirements			
Lists school-wide student performance goals students will achieve over a given period of time: Projected attendance levels, dropout percentage, graduation rate goals, etc.			
Acknowledges that exit outcomes and performance goals may need to be modified over time			
If high school, graduation requirements defined and WASC accreditation addressed			
Comments:			

C. The Method by Which Pupil Progress in Meeting the Pupil Outcomes Will be Measured	Yes	No	N/A
At least one assessment method or tool listed for each of the exit outcomes			
Assessments include multiple, valid and reliable measures using traditional/alternative tools			
Assessment tools include all required state and federal assessments (Including STAR, API, AYP, CHSEE, CELD and physical performance test)			
Chosen assessments are appropriate for standards and skills they seek to measure			
Description of how assessments align to mission, exit outcomes, and curriculum			
Describes minimal required performance level necessary to attain each standard			
Outlines plan for collecting, analyzing/utilizing and reporting student/school performance data to school staff, parents/guardians and MCOE			
Comments			

Charter School Matrix

Part Two

D. Location of Facility	Strong	Sufficient	Insufficient	N/A
Includes the location of each charter school facility which the petitioner proposes to operate.				
Describes each charter school facility which the petitioner proposes to operate in terms of safety and educational suitability				
Describes the current and projected availability of each charter school site				
Comments:				
E. Governance Structure of School Including, But Not Limited to, Parental Involvement	Yes		No	N/A
Describes what role parents have in the governance and operation of the school				
Describes key features of governing structure (usually a board of directors) such as:				
• Compliance with Brown Act, Public Records Act and Conflict of Interest Policy				
• Size/composition of board, board committees and/or advisory councils				
• Board's scope of authority/responsibility along with role of school administration				
• Method for selecting initial board members along with Board election/appointment and replacement procedure				
• Describes how Board will be developed in terms of supplementing necessary skills and providing training in effective board practices				
Includes proposed bylaws, basic policies for Board functions, as well as those necessary for opening and operating a school and/or similar documents				
Initial governing board members identified by name or the process to be used to select them				
Clear description of the legal organization of the charter school including evidence of non profit public benefit status, if applicable				
Outlines other important legal or operational relationships between school and the MCOE in accordance with the general contents of an MOU or Operating Agreement				
Describes structure for providing business/administrative services including personnel, accounting, payroll, etc.				
Comments:				

Charter School Matrix Part Two

F. Qualifications to be Met by Individuals to be Employed by The School		Yes	No	N/A
Describes qualifications to be met by those to be employed by school, including standards to be used in hiring teachers, administrators and other school staff				
Includes general qualifications for various categories of employees and desired professional backgrounds, depth of experience and other qualities to be sought in their selection				
Specifies key positions in each category, along with additional qualifications expected of individuals to be selected for these positions				
Defines core academic teachers & affirms they will hold appropriate Commission on Teacher Credentialing certificate, permit or other equivalent document; provides specific credentials to be required along with discussion of how this will satisfy requirements for “highly qualified teachers” under the No Child Left Behind Act		Yes	No	N/A
Identifies teaching positions which are not considered core academic, along with required qualifications				
Comments:				
G. Health and Safety Procedures		Yes	No	N/A
Affirms that each employee will furnish the school with a criminal record summary, as well as proof of freedom from tuberculosis				
Outlines specific health and safety practices addressing such key areas as:				
• Seismic safety (structural integrity and earthquake preparedness)				
• Natural disasters and emergencies				
• Immunizations, health screenings, administration of medications				
• Zero tolerance for use of drugs and tobacco		Yes	No	N/A
• Staff training on emergency and first aid response				
References accompanied by a detailed set of health and safety related policies/procedures or the date by which they will be adopted and submitted to the MCOE				
Comments:				

Charter School Matrix Part Two

H. Means to Achieve a Racial and Ethnic Balance		Yes	No	N/A
Lists specific practices/policies designed to attract a diverse applicant pool/enrollment:				
Practices and policies appear likely to achieve targeted racial and ethnic balance				
Comments:				
I. Financial Audit		Yes	No	N/A
Describes manner in which annual, independent financial audit will be completed by December 15 following the close of each fiscal year				
Describe who will be responsible for contracting and overseeing the independent audit				
Specifies that the auditor will have experience in education finance				
Describes the scope of the audit including a review of average daily attendance				
Provides scope and timing of audit, as well as required distribution of completed audit to the Marin County Office of Education, State Controller's Office and California Department of Education				
Process and timeline for resolving audit exceptions and deficiencies to the satisfaction of the Marin County Office of Education				
Comments:				
J. Pupil Suspension and Expulsion		Yes	No	N/A
Detailed, step-by-step process by which students may be suspended or expelled				
Reference to a comprehensive set of student disciplinary policies				
Outlines or describes strong understanding of relevant laws protecting constitutional rights of students, generally, and of disabled and other protected classes of students, in particular.				
Policies balance students' rights to due process with responsibility to maintain a safe learning environment				
Explains how policies and procedures regarding suspension and expulsion will be periodically reviewed and modified				
Explains how MCOE may be involved in disciplinary matters				
Comments:				

Charter School Matrix Part Two

K. Staff Retirement System	Describes manner by which staff members will be covered by STRS, PERS and/or federal social security; or how the charter school will create a system to address employees' retirement funding	Yes	No	N/A
	Specifies specific positions to be covered by each system and staff designated to ensure that arrangements for coverage are made			
Comments:				
L. Dispute Resolution Process	Outlines a simple process for the charter school and the Marin County Office of Education to settle disputes relating to the provisions of the charter	Yes	No	N/A
	Outlines process by charter school will resolve internal complaints and disputes			
Comments:				
M. Labor Relations	States whether charter or MCOE will be employer for EERA purposes	Yes	No	N/A
	If Marin County Office of Education is to be the employer, includes provisions clarifying charter's role in collective bargaining process			
Comments:				

Charter School Matrix

Part Two

ADDITIONAL REQUIREMENTS (Education Code 47605.6 (b))			
The Board reserves the right to add such additional requirements as it may consider necessary for the sound operation of a countywide charter school. These additional elements shall be developed and communicated after an initial review of a petition for a countywide charter school.			
Admissions Requirements	Yes	No	N/A
Mandatory assurances regarding non-discriminatory admission procedures			
Admission preferences which are required for conversion charter schools, if applicable			
Clearly describes admissions requirements, including any admission preferences			
Proposed admissions and enrollment process and timeline, as well as procedures for public random drawings, if necessary			
Comments:			
Closure of Charter School	Yes	No	N/A
Outlines a detailed description of the process to be used if the charter school closes			
Process includes a final audit of the charter school, specific plans for disposition of all net assets and liabilities, as well as for the maintenance and transfer of pupil records			
Likelihood that the Petitioners Will be Able to Successfully Implement the Program of the Proposed Charter	Yes	No	N/A
The Petition includes a thorough description of the education, work experience, credentials, degrees and certifications of the individuals comprising, or proposed to comprise, the directors, administrators and managers of the proposed charter school			
The Petition includes a list of consultants whom the charter school has engaged, or proposes to engage, for the purpose of developing, operating and evaluating the charter school, together with a thorough description of the qualifications of such consultants.	Yes	No	N/A
Does the information provided in the proposal confirm that the school will have the services of individuals who have the necessary background in curriculum, instruction, assessment, finance, facilities, business management, organization, governance and administration?			
Comments:			

Charter School Matrix Part Two

EFFECTIVE DATE	Yes	No	N/A
Does the Petition demonstrate that the charter school will commence operation by September 30 of its first year of operation?			
FINANCIAL & ORGANIZATIONAL ACCOUNTABILITY	Yes	No	N/A
A detailed review of the annual budget development, implementation and review process including the process by which the charter school leadership and governance team will monitor and report regarding the continuing financial solvency of the school.			
Detailed description of the manner, format and content by which the charter school will regularly report its current and projected financial viability			
Detailed description of the organization, scope and preparation of the following financial documents and reports:			
<ul style="list-style-type: none"> a. A preliminary budget on or before July 1 each year. b. An interim financial report, reflecting changes through October 31, on or before December 15 each year. c. A second interim financial report, reflecting changes through January 31, on or before March 15 each year. d. A final unaudited, financial report for the full prior year on or before September 15 each year. 			
Description of the process by which the school will comply with all reports required for charter schools by law; includes sending a copy of each required report to MCOE	Yes	No	N/A
Comments:			

Charter School Matrix

Part Two

REQUIRED SUPPLEMENTAL INFORMATION (Education Code 47605.6)			
Financial Plan	Yes	No	N/A
First year operational budget			
• Start-up costs			
• Cash flow for first three years			
• Financial projections for first three years			
Planning Assumptions	Yes	No	N/A
• Number/types of students			
• Number of staff			
• Facilities needs			
• Costs of all major items are identified and within reasonable market ranges			
• Revenue assumptions in line with state and federal funding guidelines			
• Revenue from “soft” sources less than 10% of ongoing operational costs			
• Timeline allows window for referenced grant applications to be submitted and funded			
Start-Up Costs	Yes	No	N/A
• Clearly identifies all major start-up costs			
Staffing			
Facilities			
Equipment and Supplies			
Professional Services			
• Assumptions in line with overall school design plan			
• Identifies potential funding source			
• Timeline allows for grant and fundraising money to become available			
Annual Operating Budget	Yes	No	N/A
• Annual revenues and expenditures clearly identified by source			
• Revenue assumptions closely related to applicable state and federal funding formulas			
• Expenditure assumptions reflect school design plan			
• Expenditure assumptions reflect market costs			
• “Soft” revenues not critical to solvency			
• Strong reserve or projected ending balance (the larger of 3% of expenditures or \$25,000)			
• If first year is not in balance, identifies solvency in future years and sources of capital sufficient to cover deficits until the school year when the budget is projected to balance			

Charter School Matrix Part Two

<ul style="list-style-type: none"> • Expenditure for general liability, workers compensation & other types of insurance with evidence that petitioners have researched cost and availability: policies to name the MCOE as also insured and provide hold harmless agreement 			
<ul style="list-style-type: none"> • Expenditure sufficient for reasonably expected legal services 			
<ul style="list-style-type: none"> • Expenditure for Special Education excess costs consistent with current experience in the school district/county 			
Cash Flow Analysis	Yes	No	N/A
<ul style="list-style-type: none"> • Monthly projection of revenue receipts in line with local/state/federal funding disbursements 			
<ul style="list-style-type: none"> • Expenditures projected by month and correspond with typical/reasonable schedules 			
<ul style="list-style-type: none"> • Show positive fund balance each month and/or identify sources of working capital 			
Long-term Plan	Yes	No	N/A
<ul style="list-style-type: none"> • Projects revenues and expenditures for at least two additional years 			
<ul style="list-style-type: none"> • Revenue assumptions based on reasonable potential growth in local, state and federal revenues 			
<ul style="list-style-type: none"> • Revenue assumptions based on reasonable student growth projections 			
<ul style="list-style-type: none"> • Reasonable cost-of-living and inflation assumptions 			
<ul style="list-style-type: none"> • Annual fund balances are positive or sources of supplemental working capital are identified 			
If the charter school intends to enter a contract with an educational management organization (EMO), does the proposal include the following:	Yes	No	N/A
Description of the proposed contract including roles, responsibilities, payment structure, conditions for renewal/termination and investment disclosure?			
Description of EMO's role in the financial management of the charter school and the internal controls which will guide this relationship?			
List of other schools managed by EMO including contract information?	Yes	No	N/A
Summary of EMO history and philosophy, past results of school management efforts and background on its corporate leaders?			
Comments:			

Charter School Matrix

Part Two

Impact Statement	Yes	No	N/A
Provides estimated numbers of students anticipated to enroll			
Identifies whether charter will request to purchase support services from MCOE			
Describes suggested processes and policies between charter and MCOE			
Includes:			
Process, activities and associated fees for oversight of charter... NOTE: The County Board of Education may, as a condition of charter approval, enter into an agreement with a third party, at the expense of the charter school, to oversee, monitor, and report on the operations of the charter school			
<ul style="list-style-type: none"> • Content, processes, timelines, and evaluation criteria for annual review and site visits NOTE: The County Board of Education may, as a further condition of charter approval, prescribe the aspects of the school's operations to be monitored by the third party and may prescribe appropriate requirements regarding the reporting of information concerning the operations of the charter school			
<ul style="list-style-type: none"> • Regular, ongoing fiscal and programmatic performance monitoring and reporting • Content, process, timelines and evaluation criteria for charter renewal 			
Proposed support service needs and suggested payments to MCOE or district for services			
<ul style="list-style-type: none"> • Clearly drafted contract/agreement or reference to MOU 	Yes	No	N/A
Identify whether a request will be made for use of MCOE or district-owned facilities			
Reasonably detailed lease or occupation agreement for privately obtained facilities			
Proposed legal status of school is identified			
Describes the manner in which administrative services of the charter school are to be provided			
Identify whether school intends to manage risk independently or will seek to secure coverage through the Marin County Office of Education or other public agency			
Addresses potential civil liability effects, if any, upon the school and the MCOE			
Comments:			

Charter School Matrix Part Two

Special Education/SELPA (Marin County SELPA Charter School Policy)	Yes	No	N/A
Identifies whether the charter will be an independent LEA for special education purposes			
Has consulted with the Marin County SELPA Director			
<ul style="list-style-type: none"> Discussed special education responsibilities of charter Discussed application of SELPA policies 	Yes	No	N/A
Describes how special education services will be provided consistent with Marin SELPA Plan and/or policies and procedures			
<ul style="list-style-type: none"> Includes fiscal allocation plan 			
If charter not an independent LEA:			
<ul style="list-style-type: none"> Clarifies in charter or an MOU the responsibilities of each party for service delivery 			
Referral			
Assessment			
Instruction			
Due Process			
Agreements describing allocation of actual and excess costs			
Charter fiscally responsible for fair share of any encroachment on general funds			
If charter is LEA within SELPA	Yes	No	N/A
<ul style="list-style-type: none"> Notifies SELPA Director of intent prior to February 1st of the preceding school year Located within Marin County SELPA geographical boundaries Provides current operating budget in accordance with Ed Code 42130 and 42131 Provides assurances that all be instructed in safe environment Provides copy of original charter petition and any amendments Responsible for any legal fees relating to application and assurances process Meets the terms of the "Agreement Regarding the Organization, Implementation, Administration and Operation of the Marin SELPA" Meets the terms of all Marin SELPA policies and procedures Charter fiscally responsible for fair share of any encroachment on general funds 			
Petition includes the following assurances:			
<ul style="list-style-type: none"> The charter will comply with all provisions of IDEA No student will be denied admission based on disability or lack of available services Will implement a Student Study Team process Any student potentially in need of Section 504 services will be the responsibility of the charter school 			
Petition/MOU describes the process for notifying district of residence and the MCOE when a special education student enrolls, becomes eligible, ineligible and/or leaves charter school			
Overview of how special education funding and services will be provided by:			

Charter School Matrix

Part Two

• Charter School				
• Marin County Office of Education				
• SELPA		Yes	No	N/A
Petition/MOU describes the transition to or from a district when a student with an IEP enrolls in, or transfers out of, the charter school				
Comments:				
ANNUAL PERFORMANCE AUDITS				
Petition/MOU describes what will be included as part of performance audits, including:		Yes	No	N/A
• Review of each component of Initial/Renewal Charter Petition for compliance				
• Analysis of whether goals are being met; review of all state and federal student assessment data and reports				
• Summary of major decisions made/policies established by the board in each year				
• Data on level of parent involvement in governance and operation of the school				
• Summary data from annual student/parent satisfaction survey				
• Data regarding number of staff, their qualifications and verification of credentials				
• Copy of health/safety procedures and summary of any major changes				
• Review of the suitability of the facility in terms of health and safety				
• Review of the suitability of the facility in terms of educational utility				
• Review copies of all required documentation (e.g. budget reports, financial projections, leases, insurance, etc.)				
• Overview of admission practices				
Number of students actually enrolled				
Waiting lists				
Expulsions and suspensions				
• Review of any internal/external dispute resolutions				
Site visit by MCOE or designee including observation of the instructional program				
Comments:				

Charter School Matrix Part Two

CHARTER RENEWAL Did the Charter School Do What It Said It Would Do?			
NOTE: The renewal process follows all of the same steps and requires all of the same information as a new charter proposal			
Questions to Address	Yes	No	N/A
Terms of the Charter			
Are all the required terms of the charter in place, including changes in Charter School Law and Regulations?			
Are all the terms of the original/amended charter fully implemented?			
Are the implemented programs consistent with the terms of the charter?			
Are the operations consistent with the terms of the charter?			
Academic Program			
Has the school made reasonable progress in meeting internally established goals?			
Is student performance significantly improved and/or consistently strong as indicated by test results, API and AYP? Effective January 1, 2005, or after the charter school has been in operation four years, whichever is later, does the charter school meet the renewal requirements contained in the Charter Schools Act?	Yes	No	N/A
Viability of School			
Financially solvent?			
Enrollment stable and near capacity?			
School governance sound?			
Professional staff competent?			
Submission of charter renewal proposal in accordance with timelines and process outlined in Marin County Board of Education Policy	Yes	No	N/A
When approved or denied, the MCOE will forward notice to CDE and other agencies as required by law			
Comments:			

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Charter School Legal Opinion

SCHOOL AND COLLEGE LEGAL SERVICES of California

*A Joint Powers Authority Serving School and
College Districts Throughout the State with offices in
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MEMORANDUM

To: Mary Jane Burke
Marin County Superintendent of Schools

From: Robert J. Henry, General Counsel

Date: September 2, 2003

Re: Statutory Authority of County Superintendent of Schools With Respect to
Charter Schools

This responds to your request that I prepare a memorandum regarding the statutory authority of a county superintendent of schools with respect to charter schools that operate within the county.

A. Direct Education Code Authority

1. Responding to Inquiries

Education Code section 47604.3 provides as follows:

A charter school shall promptly respond to all reasonable inquiries, including, but not limited to, inquiries regarding its financial records, from its chartering authority, the county office of education that has jurisdiction over the school's chartering authority, or from the Superintendent of Public Instruction and shall consult with the chartering authority, the county office of education, or the Superintendent of Public Instruction regarding any inquiries. (Emphasis added.)

Charter School Legal Opinion

Note 1: This section applies only to charter schools for which the chartering district is located in the county over which the county superintendent has jurisdiction. Significance: A county superintendent does not have jurisdiction under this section over charter schools where the chartering authority is located outside of the county.

Note 2: This section requires charter schools to both “promptly respond to all reasonable inquiries” and to “consult” with the county office of education regarding such inquiries.

2. Authority to Monitor and Investigate

Education Code section 47604.4 provides as follows:

(a) In addition to the authority granted by Section 47604.3, a county superintendent of schools may, based upon written complaints by parents or other information that justifies the investigation, monitor the operations of a charter school located within that county and conduct an investigation into the operations of that charter school. If a county superintendent of schools monitors or investigates a charter school pursuant to this section, the county office of education shall not incur any liability beyond the cost of the investigation.

(b) A charter school shall notify the county superintendent of schools of the county in which it is located of the location of the charter school, including the location of each site, if applicable, prior to commencing operations.

Note 1: The authorization to “investigate and monitor” the operations of a charter school applies to all county superintendents with respect to charter schools that are located in the county.

Note 2: The authority to investigate and monitor is dependent upon written complaints by parents, or other information (presented to the county superintendent of schools).

3. Reporting Obligations

Education Code section 47605(i) provides as follows:

Upon the approval of the petition by the governing board of the school district, the petitioner or petitioners shall provide written notice of that approval, including a copy of the petition, to the applicable county superintendent of schools, the State Department of Education, and the State Board of Education. (Emphasis added.)

Note: This section requires the Charter School to submit a copy of the charter and other information regarding its approval to the county superintendent.

4. Review of Annual Audit

Education Code section 47605(m) provides as follows:

A charter school shall transmit a copy of its annual, independent, financial audit report for the preceding fiscal year, as described in subparagraph (I) of paragraph (5) of subdivision (b), to its chartering entity, the Controller, the county superintendent of schools of the county in which the charter school is sited, unless the county board of education of the county in which the charter school is sited is the chartering entity, and the State Department of Education by December 15 of each year. This subdivision shall not apply if the audit of the charter school is encompassed in the audit of the chartering entity pursuant to Section 41020. (Emphasis added.)

Charter School Legal Opinion

Note: Under Education Code section 47604.11 a county superintendent may find reason to investigate and/or monitor a charter school based on information contained in the annual audit.

5. General Supervision

Education Code section 47612(a) provides as follows:

A charter school shall be deemed to be under the exclusive control of the officers of the public schools for purposes of Section 8 of Article IX of the California Constitution, with regard to the appropriation of public moneys to be apportioned to any charter school, including, but not limited to, appropriations made for the purposes of this chapter.

Note: This section is required by the California Constitution and recognizes the inherent authority that a county superintendent has with respect to the “appropriation” of public funds to a charter school.

Education Code section 47615 provides as follows:

(a) The Legislature finds and declares all of the following:

(1) Charter schools are part of the Public School System, as defined in Article IX of the California Constitution.

(2) Charter schools are under the jurisdiction of the Public School System and the exclusive control of the officers of the public schools, as provided in this part.

(3) Charter schools shall be entitled to full and fair funding, as provided in this part.

(b) This part shall be liberally construed to effectuate the findings and declarations set forth in this section.

Note: The reference to “control of the officers of the public schools” includes the county superintendent of schools.

6. Duty of County Superintendent to Supervise all Schools in the County

Education Code section 1240(a) and (c) provide as follows:

The superintendent of schools of each county shall do all of the following:

(a) Superintend the schools of his or her county.

* * *

(c) Visit and examine each school in his or her county at reasonable intervals to observe its operation and to learn of its problems. He or she may annually present a report of the state of the schools in his or her county, and of his or her office, including, but not limited to, his or her observations while visiting the schools, to the board of education and the board of supervisors of his or her county.

Note: Section 1240 is not limited to traditional public schools and includes charter schools.

Charter School Legal Opinion

B. Indirect Education Code Authority (AB 1200)

Education Code sections 42127.6-42129 generally establish a process for county superintendents to exercise oversight, intervention, and control of school districts that are determined to be “unable to meet [their] financial obligations ...”

Although this statutory scheme is not directly applicable to charter schools (except district-wide charter schools) it has an indirect application to charter schools where a school district is in danger of coming under a county superintendent’s AB 1200 oversight due to district costs or losses associated with a charter school granted by that school district.

Summary

On the basis of the above it is clear that a county superintendent has both direct and indirect authority to exercise considerable oversight with respect to charter schools that operate within the county. On this basis, it is my opinion that the Marin County Office of Education may adopt and enforce the following: Charter Schools Monitoring Activities; Request for Information; and Guidelines for Budget Development.

Recommendation:

The District that grants the charter retains primary responsibility for supervising the activities of the charter school. Thus, a county superintendent of schools should exercise charter school oversight through the appropriate district whenever possible.

Charter School Review Template

Charter School Review Template				
Name of the Charter School				
Adopted Budget				
First Interim Report (as of October 31)				
Second Interim Report (as of January 31)				
Reviewed By (initials)				
Date of Review				
	Yes	No	N/A	Comments (All "no" answers require additional explanation)
Budget, First or Second Interim Report				
Is the ADA used in the report reasonable based on the prior year's ADA or the P-1 or P-2 attendance reports? For first-year charter schools, the school should provide some documentation on the projected enrollment and the % of ADA to enrollment used.				
First and Second Interim: Does the adopted budget shown on the financial report agree to the adopted budget approved by the sponsoring district?				
Revenue				
Do the state funding or cash in lieu of property tax amounts agree to the calculated amounts (ADA times block grant entitlement or categorical block grant entitlement amount)?				
Is the amount shown for federal revenue reasonable?				
Is the amount shown for local revenue reasonable? Note: the standard established by the COE for fundraising revenue: First year, no fundraising revenue included until received; year two and beyond, school may budget 25 - 30% of prior year's fundraising revenue. This amount should not exceed 5% of the total budgeted revenues (excluding fundraising).				
Expenses				
Are the certificated salaries reasonable based on the number of students?				
Are the classified salaries reasonable based on the positions identified in other information provided by the charter school? This other information may include the narrative.				
Determine the breakdown of the benefits and if the benefits are reasonable.				

Charter School Review Template

Are the amounts for books, supplies, and other operating costs reasonable?				
Do the amounts budgeted for debt service agree to the amortization schedules?				
Ending Balance				
Does the beginning balance agree to the audit report?				
Does the school maintain reserves, are they reasonable?				
Budget Control - First and Second Interim				
Obtain a general ledger report as of the reporting period and determine that the charter school has entered the budget into its financial system.				
Obtain a recent general ledger report and determine that the charter school has budget control; that is, the expenditures and encumbrances to date do not exceed the budget.				
Cashflow				
Does the beginning balance agree to the audit report?				
Does the cash balance at the reporting period agree to the general ledger and the bank reconciliation?				
Is the ending cash balance positive in all months?				
Do the total revenues and expenditures on the cashflow agree to the budget as presented?				
Multi-year Projection (MYP)				
Is the ADA used in the MYP reasonable based on the capacity of the school site and the enrollment trends?				
Are the revenue projections reasonable based on the projected funding from the state, historical information, and any other available information?				
Are the certificated salaries reasonable based on the number of students?				
Are the classified salaries reasonable based on the positions identified in other information provided by the school?				
Are the benefit projections reasonable?				
Are the amounts for books, supplies and other expenses reasonable?				

Other Comments

Benefit Calculation:

03/04 04/05 05/06

Salaries

Benefits

Percentage

Charter School Request for Information

County Office of Education Charter Schools Request for Information

The following is a list of information that the County Office of Education will need to assist the sponsoring district in their charter school oversight responsibilities. The COE will request that each sponsoring district submit this information on behalf of their charter schools.

Item	<i>How Often to Submit to the COE</i>	
	Prior to the Beginning of Operations	Each Year
Copy of the charter school petition. Education Code Section 47605	X	
A list of the location of each site of the charter school. Education Code Section 47640.4	X	
A copy of the annual budget. Education Code Section 47604.33		X
Copies of the financial statements prepared on the forms prescribed by the Superintendent of Public Instruction. Education Code Section 42100; Education Code Section 47604.33		X
Copies of the first and second interim reports. Education Code Section 47604.33		X
A copy of the memorandum of understanding (MOU).	X	X (1)
Revisions to the MOU.		X
For charter schools operating as nonprofit public benefit corporations:	X	
• Letter specifying the accounting principles the charter school will use to prepare the budget and record transactions. If the charter school is not using nonprofit accounting principles they must specify the authoritative basis for their decision.		
• Copies of the IRS and Franchise Tax Board tax exemption letters.	X	
• Copies of the articles of incorporation and bylaws.	X	
• Copies of the annual statements filed by the corporation pursuant to its tax-exempt status.	X	X
• A copy of the annual audit report. Education Code Section 47605		X (2)
• Copies of conflict of interest statements from all board members and staff.		X

Notes:

- (1) If a new MOU is issued each year, submit a copy to the Marin County Office of Education each year.
- (2) If the charter school is a part of a parent organization that is the nonprofit public benefit corporation, the audit should show financial statements for the charter school separately from those of the combined organization. For example, if the nonprofit public benefit corporation has three charter schools, each sponsored by separate school districts, the financial statements should present combined financial information for the nonprofit corporation and separate (combining) financial information for each charter school. To ensure the sponsoring organization has sufficient information to monitor the financial activities of its charter, the sponsoring organization should request the audit provide a separate opinion on the combined and combining financial information.

I. OVERVIEW

A. Background Information

1. School districts maintain cash in various accounts including:
 - a. Cash in the county treasury
 - b. Cash in local banks
 - c. Cash held by various fiscal agents on behalf of the school district.
 - d. Cash in the Local Agency Investment Fund (LAIF)
2. Education Code Section 41001 requires districts to deposit all funds in the county treasury.
3. Education Code Section 41002.5 allows school districts to deposit certain funds into federally insured banks or financial institutions. These other funds are:
 - a. Funds received for making loans, scholarships, or grants to students.
 - b. Funds received for the sale of food or other services performed by the cafeterias.
 - c. Funds received from the sale of produce, livestock, and products of school farms.
 - d. Clearing accounts established pursuant to Education Code Section 41017.
 - e. Funds of a student body organization.
 - f. Funds in a revolving cash fund established pursuant to Education Code Section 42820.
 - g. Funds for community recreation programs.
 - h. Funds that, pursuant to any other law or provision of the *California School Accounting Manual*, may be deposited in a bank or other federally insured financial institution in lieu of the county treasury.
4. For certain types of transactions (e.g., the issuance of certificates of participation), school districts are required to establish a financing corporation. In these instances, the cash proceeds of the transaction may be deposited in a bank and held on behalf of the financing corporation.

B. Cash in the County Treasury

1. Education Code Section 41000 prohibits assessors, tax collectors, city, city and county, or county treasurers from charging or receiving fees or compensation for assessing, collecting, receiving, keeping, or disbursing any school moneys, but they must pay the “whole moneys collected” to the city, city and county, or county treasurer.
2. Education Code Section 41001 requires the governing board of every school district to pay all moneys received or collected from any source and all moneys apportioned to it from taxes levied, and collected under the authority of city councils for school purposes, into the county treasury to be placed to the credit of the proper fund of its districts.
 - Districts are required to deposit the money daily, unless the county superintendent of schools authorizes the deposits to be made weekly or otherwise, but in no event less frequently than monthly.
3. Government Code Section 53684 (b) requires the county treasurer to apportion interest at least quarterly on the funds invested in the county treasury.
 - a. The county treasurer is required to apportion interest in an amount proportionate to the average daily balance of the amounts deposited by the local agency.
 - b. Prior to distributing the interest, the county treasurer may deduct the actual costs incurred by the county in administering this section of the Government Code.
4. Some county treasurers maintain all of the money for a school district in a single fund while other counties maintain separate funds that correspond to the funds maintained by the districts.

C. Borrowing Options

1. Internal borrowing between district funds

- a. Education Code Section 42603 authorizes a school district to temporarily transfer moneys held in any fund to another fund of the district for payment of obligations.
- b. The borrowing fund must earn sufficient income, during the current fiscal year, to repay the amount transferred.
- c. These temporary transfers may not exceed 75% of the maximum amount of moneys held in any fund during the current fiscal year.
- d. Amounts transferred must be repaid in the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 days of the fiscal year.

2. Borrowing from the county treasurer

- a. Education Code Section 42620 authorizes the board of supervisors of the county or city and county to authorize the auditor and treasurer to make a temporary transfer from any funds not immediately needed to pay claims against them to any school district or county school service fund that does not have sufficient funds to its credit in the county treasury to meet current expenses.
- b. Article XVI, Section 6 of the California Constitution provides that the county treasurer cannot loan districts money after the last Monday in April of the current fiscal year.
- c. This type of borrowing requires the approval of the governing board of the county or city and county by resolution.
- d. These temporary transfers may not exceed 85% of the money that will accrue to the school district or county school service fund during the fiscal year.
- e. The auditor and treasurer are required to repay the funds to the county or city and county fund from which they were taken from the first moneys accruing to the school district or county school service fund and before any other obligation of the school district or county office is paid.

3. Borrowing from the county office of education.

- a. Education Code Section 42621 authorizes the county superintendent of schools, with the approval of the county board of education, to make temporary transfers to any school district that does not have sufficient money to its credit to meet current operating expenses.
 - i. The county superintendent will make these transfers from the county school service fund.
 - ii. The transfers may not exceed 85% of the amount accruing to the school district at the time of the transfer.
 - iii. The district must repay the county school service fund prior to June 30 of the current fiscal year.
- b. Education Code Section 42622 authorizes the county superintendent of schools, with the approval of the county board of education, to make an apportionment to a school district
 - i. The apportionment is made from the county school service fund.

- ii. The apportionment is conditional upon repayment in the next fiscal year from the district's general fund.

4. Tax and revenue anticipation notes (TRANS)

a. Definition and purpose

- i. Government Code Section 53852 authorizes the issuance of tax revenue anticipation notes (TRANS), which are short-term loans that school districts can use to finance cash flow deficits that are created when expenditures are incurred before revenues are received.
- ii. The notes are retired from revenues of the fiscal year to which the TRANS are related.

b. Basic types of TRANS

- i. Traditional 12-Month (July to June) (also known as regular TRANS)
 - a) Covers beginning of fiscal year deficit
 - b) Only one issuance cost
 - c) Does not cover end of year deficit
 - d) May be issued as a tax-exempt TRAN
 - e) Projected maximum deficit must occur within six months of issuance
- ii. Fall 12-Month Cross Fiscal Year TRAN (October to October)
 - a) Covers the fall deficit and the fiscal year-end deficit
 - b) Portion of TRANS that can be used to fund fiscal year-end deficit is dictated by the amount of deferred revenues
 - c) Requires analysis of debt service coverage at maturity from deferred revenues
 - d) Only one issuance cost
 - e) Typically has higher interest cost than a regular TRAN due to deferred revenues being part of the security
 - f) Projected maximum deficit must occur within six months

- g) Credit analysis focuses on ability to repay from deferred revenues; repayment from a future TRANs is a red flag
 - h) May be issued as a tax-exempt TRAN
- iii. 15-Month TRAN (July to October)
 - a) Covers beginning of the fiscal year, fall and end-of-year deficits
 - b) Portion of TRANs that can be used to fund fiscal year end deficit is dictated by the amount of deferred revenues
 - c) Requires analysis of debt service coverage at maturity from deferred revenues
 - d) One issuance cost
 - e) Government Code Section 53854 allows TRANs to be payable up to 15 months after date of issuance; however, the IRS has issued a revenue ruling that it is not comfortable with a maturity date beyond 13 months; thus, issuers of 15 month notes should expect to be audited and questioned about the business reason for the 15 month maturity; districts with significant deferred revenues may be able to defend issuance
 - f) Higher interest rate due to weaker security from deferred revenues
 - g) Potential for higher interest rates due to investor concern over tax-exempt status of TRANs as described above and inability of money market funds to directly purchase notes due to term.
 - h) Credit analysis focuses on ability to repay from deferred revenues; repayment from a future TRANs is a red flag
 - i) 15-month TRAN can be issued as a tax-exempt TRAN
- iv. Multiple TRANs (July to March or June and February to October)
 - a) Two issuance costs
 - b) Able to cover various deficits throughout the year
 - c) Cross-fiscal-year component requires analysis of debt service coverage at maturity from deferred revenues
 - d) May be issued as tax-exempt TRANs

c. TRAN sizing guidelines and limitations

- i. The principal and interest cannot exceed 85% of uncollected revenues at time of TRAN issuance.
- ii. Maximum tax-exempt TRAN amount equal to projected negative cash balance that occurs within six months from the date of TRAN issuance plus a working capital reserve and
 - (a) For cross-fiscal-year TRANs, use of the TRANs beyond fiscal year end is further limited by the amount of deferred revenues
- iii. Under federal law, the working capital reserve is equal to the lesser of 5% of the prior year's expenditures or the prior year's average cash balance.
- iv. TRAN issuance precludes districts from constitutional borrowing from the County Treasurer.
- v. Only revenue received or accrued during the fiscal year in which a TRAN is issued may be pledged for TRAN repayment. Revenue deferred by the State into the following fiscal year may be available to be pledged and used to repay a cross-fiscal-year TRAN.
- vi. IRS arbitrage rebate compliance
 - (a) TRAN issuers are subject to rebate payments to the IRS on arbitrage interest earnings on TRAN proceeds unless one of the following rebate exemptions is met;
 - 1) Small Issuer Exemption: Borrower issues less than \$5 million in TRANs and other non-construction tax-exempt debt and less than \$15 million in total tax-exempt debt in the calendar year of TRAN issuance with a reasonable projection of a cash flow deficit; or,
 - 2) Large Issuer (Safe Harbor) Exemption: A borrower that issues more than \$5 million in TRANs or other non-construction tax-exempt debt or more than \$15 million in total tax-exempt debt in the calendar year of TRAN issuance must actually experience the reasonably projected cash flow deficit used to size the TRAN within six months of the date of issuance of the TRAN.
 - b) In an audit, IRS may call into question the reasonableness of the deficit projections of a small issuer that continually fails to meet prior deficit projections.

- c) Failure to make required rebate payment as a large issuer may result in additional penalty payments to the IRS.

d. TRAN issuance steps

- i. Adopt resolution to authorize TRAN issuance and establish parameters for financing.
- ii. Collect historical financial data, i.e., audit reports, budget and interim reports, current and prior year cash flows, to assess financial standing and cash needs.
- iii. Provide revenue and expenditure projections for TRAN issuance year.
- iv. Provide cash flow projections for TRAN issuance year.

e. Required action

- i. The county board of education, school district, or community college district adopts a resolution to authorize the TRAN issuance.
- ii. For a county board of education, school district, or community college district that has not been accorded fiscal accountability status, the adopted resolution is sent to the board of supervisors, with a copy to the county superintendent of schools and the county treasurer.
 - a) Explanation for borrowing is provided to county treasurer (recommended).
 - b) The board of supervisors authorizes, by resolution, the issuance of a note.
 - c) If the board of supervisors doesn't (or notifies that they won't) adopt a resolution to issue the note within 45 days, then the county board of education, school district or community college district may issue the note on its own.
- iii. Under Education Code Section 42133(a), if a district has a qualified or negative interim report certification in any year, the district may not issue non-voter-approved debt instruments in that year or the next, unless the county superintendent of schools, using the Superintendent of Public Instruction's criteria, determines repayment is probable.
- iv. TRAN proceeds, set-asides and repayments
 - a) The resolution authorizing the issuance of the note will specify what taxes, income, revenue, cash receipts or other moneys are pledged for the payment of the note and interest.

- 1) The note and interest is payable from the first moneys received from these pledged moneys.
- 2) “Revenue” includes, but is not limited to, revenue from the state and federal governments.
- b) If a district will issue a TRAN in addition to borrowing from the county office of education, the order of repayment should be addressed in the memorandum of understanding between the county office of education and the district.
- c) The note is a general obligation of the local agency, and, to the extent it is not paid from the pledged moneys, it will be paid with interest from any other moneys of the local agency that are lawfully available.
- d) TRAN proceeds may be deposited with a fiscal agent outside the county treasury.
 - 1) A draw of cash from the fiscal agent to the county treasury is processed as needed to meet cash needs.
 - 2) Repayments are made from the county treasury to the fiscal agent.
 - 3) The fiscal agent holds amounts in a repayment reserve account according to the repayment schedule defined in the note issuance and processes the repayments.
- e) TRAN proceeds may be deposited in the county treasury.
 - 1) Funds are available to meet cash flow needs.
 - 2) Interest earned should be accounted for separately from interest earned on other funds of the district.
 - 3) A schedule of pledged revenues to be set aside to meet repayment obligations is defined in the authorizing resolution.
 - a. The repayment set aside deposits are held in a separate restricted account for the benefit of the owner of the note and the district does not have any right to requisition or otherwise access such moneys.
 - b. The set-aside amounts may be deposited into an agency fund.

- c. The county auditor-controller or the county office of education may coordinate the transfer of set-aside amounts and repayments according to the schedule and as authorized by the district.
- d. Consideration should be given to initiating the transfers for set-asides and repayments with sufficient time to ensure timely processing, such as at least a day before the required date.

f. Fiscal Impact

- i. Cost of issuance may be high
- ii. Qualification status (qualified or negative) may also impact the ability to issue a TRANs as well as the cost to borrow.
- iii. Interest earned may partially or completely offset issuance costs.
- iv. The IRS conducts routine audits of TRANs; such audits may incur significant costs, including retention of qualified tax counsel to assist in negotiations as well as potential loss of arbitrage earnings, if any, should the district fail to satisfy IRS requirements.

g. Potential structures for TRANs.

- i. A TRAN may be issued independently, which is often economical for large issuers.
- ii. A TRAN may be issued through an established pool, which is often economical for small issuers and minimizes costs, time and effort of participating school districts.
- iii. A TRAN may be issued through the local county office of education, which has the benefits of a pool, is consistent with the county office's fiscal oversight duties, and can be structured such that the county office is or is not liable for any repayment shortfalls by participating districts.

D. Payments from the Funds of the School District

- 1. Education Code Section 42631 requires that all payments from the funds of school districts will be made by written order of the governing board of the district.
 - a. The county superintendent will prescribe the forms that districts will use as the written order for the payment of funds.

- b. A majority of the members of the governing board, or a person or persons authorized by the governing board to sign orders in its name, must sign the orders drawn on the funds of the school district. Education Code sections 42632 and 35164.
 - c. The governing board of each school district must file the verified signature of persons authorized to sign orders in its name with the county superintendent. Education Code Section 42633
 - Except for districts that are fiscally accountable pursuant to Section 42650, the county superintendent must not approve any orders on the funds of school districts unless the signatures are on file in their office.
2. Education Code Section 42634 requires that each order drawn against the funds of a school district must be numbered and state:
 - a. The particular fund or funds of the district against which the order is drawn.
 - b. The amount of the payment from each fund.
 - c. The rate of salary and the period of service of any employee of the district for whom an order is issued for the payment of salary or wages.
 - d. If the payment is for any purpose other than salaries or wages of school district employees, the order must be accompanied by an itemized bill showing the separate items and the price of each.
 - If the county superintendent determines that including an itemized bill with each order is impractical, the county superintendent may allow the district to retain the information and make it available for audit.
3. Each order drawn against the funds of the district that is transmitted to the county superintendent and approved is a requisition on the county auditor. Education Code Section 42635
 - The county superintendent may prescribe alternative procedures for districts that are fiscally accountable under Section 42650.
4. Under Education Code Section 42636, the county superintendent may examine each order on school district funds transmitted to them. If it appears that the order is properly drawn for the payment of legally authorized expenses against the proper funds of the district, and there are sufficient moneys in the fund(s) against which the order is drawn, the county superintendent will:
 - a. Endorse upon it “examined and approved”

- b. Affix their signature and number and date the requisition and transmit it to the county auditor in the order in which it was received in their office.
 - c. The county superintendent may prescribe alternative methods for fiscally accountable districts under Education Code Section 42650.
 - d. The county superintendent may, upon approval of the county auditor, allow electronic transfers.
5. If the order is disapproved by the county superintendent, they will return it to the district governing board with a statement of the reason(s) for disapproving the order. Education Code Section 42638
 - If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent will notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.
6. Once the county auditor examines the order and requisition, they will return the order, requisitions, and the warrants to the county superintendent who transmits it to the governing board of the school district for issuance. Education Code Section 42639
7. The county superintendent of schools must keep, open to the inspection of the public, a register of warrants, showing the fund upon which the requisitions have been drawn, the number, in whose favor, and for what purpose they were drawn. Education Code Section 42643
 - The county superintendent must prescribe rules for school districts that are fiscally accountable under Section 42650 that retain copies of warrants and supporting documents in the district's files.
8. Education Code Sections 42641– 42642 and 42644 – 42646 provide information on the legal requirements for payroll orders.
9. Education Code Section 42647 authorizes unified school districts or districts with over 10,000 average daily attendance, with approval of the Superintendent of Public Instruction, to draw warrants on the county treasury.
 - Districts issuing warrants under this section are usually referred to as “fiscally independent.”

E. Procedures for Registering Orders and Warrants

1. Overview

- a. Education code (E.C.) sections 42670 through 42678 and 42690 through 42694 grant county offices of education and school districts the authority to issue registered warrants if they are unable to meet current obligations because of cash flow difficulties. These registered warrants function as IOUs, with an annual interest rate of 5% to creditors when cash is not available to make payments.
- b. The education code provides two possible procedures to be followed when funds are not available to pay orders presented by school districts or county offices.
- c. Because registered warrants will adversely affect other entities and individuals who will receive them, local educational agencies (LEAs) should consider issuing registered warrants only after considering all of the options listed below.
 - a. E.C. section 42620: Loan from the county treasurer
This cannot exceed 85% of the amount of money which will accrue to the school district or county school service fund during the fiscal year. Repayment must be made from the first monies received by the LEA before any other obligation is paid, and no loans can be made after the last Monday in April.
 - b. E.C. section 42621: Loans from the county office
Most county offices will experience the same cash shortage as local school districts and may not be able to accommodate the request.
 - c. E.C. section 42603: Temporary borrowing from other district funds
No more than 75% of the money held in any fund during the current fiscal year may be transferred, and there are strict guidelines regarding when the funds must be repaid.
 - d. Short term debt such as tax revenue anticipation notes (TRANs), if the school district or county office is able to obtain them.

2. Legal Requirements

- a. The legal authority for school districts and county offices to register orders and warrants is provided by education code sections 42670 through 42678 and 42690 through 42694.

The education code provides LEAs with two possible alternatives as follows:

- i. Alternative 1: Registering Orders

Education code sections 42670 through 42674 outline the procedure for a county superintendent of schools to follow when they receive an order against a school district's funds but the monies are not available to pay the order. In this event, the county superintendent should do the following:

1. Record the order, endorse on the order the words "Not approved for want of funds," and register it (E.C. section 42670).
2. Register the order in the county superintendent of school's records, and number and date the registered order (E.C. section 42671).
3. Return the registered order to the school district's governing board (E.C. section 42671).

The affected school district then delivers the registered order to the payee. The order earns 5% interest from the date of registration until notice is given that the order can be paid (E.C. section 42671).

When money is available to pay the registered order(s), the county superintendent of schools must then publish, in a newspaper of general circulation, a notice that the order can be approved. The notice may name the districts and list in order of registration the registered orders for which money is now available (section 42672).

At the time of giving notice, the county superintendent of schools must set aside funds to cover the warrants for a period of 60 days. If the registered order is not presented for payment within 60 days of publication, or if money is not available when the order is presented, the order cannot be approved until money again becomes available and notice is again given (E.C. section 42673).

The county superintendent of schools approves each district's registered orders and signs them as requisitions on the county auditor, in order of presentation. The total amount due, including interest, is entered on each (E.C. section 42674).

As an alternative to the warrant approval procedure in Education Code section 42674, whenever two or more orders registered on the same date and issued against the funds of the same district are presented for payment at the same time, the county superintendent of schools has the option to issue separately a special requisition for the total amount of interest. The special requisition shall be numbered by the county superintendent of schools and shall state, "In full payment of interest due on warrants numbered ____ to ____, inclusive, of the _____ School District." (E.C. sections 42675-42677).

The county superintendent of schools shall report to the county treasurer and auditor the amount of interest paid. The county superintendent of schools shall also send to the governing boards of each school district the registered orders which have been approved and paid, and report to the clerk or secretary of the district the amount of interest paid and the numbers of the registered orders on which interest is to be paid (section 42678).

- ii. Alternative 2: Registering Warrants with the approval of the County Board of Supervisors (includes coordination with the county auditor's and county treasurer's offices)

This second alternative for registering warrants is provided in Education Code sections 42690-42694. The difference is that when there is insufficient money against which the order from a district is drawn to pay the order in full, the county superintendent of schools can endorse on the order "to be registered for lack of sufficient funds."

To follow the below procedure for this alternative, the county board of supervisors must adopt a resolution as specified in Government Code section 29822 (E.C. section 42690)

When the county superintendent of schools receives an order for which there are insufficient funds to make the payment, they shall endorse the order "to be registered for lack of sufficient funds," sign, date and number the order as a requisition on the county auditor, and forward the requisition to the county auditor (E.C. section 42691).

The county auditor shall then endorse on the order the phrase "examined and allowed," sign, date and number the order as a warrant on the county treasurer, and return the warrant to the county superintendent of schools. The county superintendent will then forward the warrant to the governing board of the school district for issuance to the payee (E.C. section 42691).

When the warrant is presented to the county treasurer for payment, the county treasurer will follow the procedures outlined in Government Code sections 29821 to 29824 and 29826 to 29827, and endorse, register, advertise and pay it, along with 5% annual interest (E.C. section 42692). Much of the process the county treasurer follows is the same as that provided for county warrants in Education Code sections 42671 to 42674.

If the warrants are not presented for payment within 60 days of the notice, the treasurer may use the funds to pay the next unpaid warrants in line (E.C. section 42693).

Within 10 days after the end of the month, the county auditor must report to the county superintendent of schools the amount of interest added to the registered warrants and the amount paid during the proceeding month, by district. This information shall then be forwarded to the clerk or secretary of each district for which interest was paid (E.C. section 42694).

3. Things to Consider Before Issuing Registered Warrants

- a. Although legal, registered warrants entail a process that needs advance preparation because it is cumbersome and adversely affects many agencies, companies and individuals. Therefore LEAs should ensure at least the following before issuing registered warrants:
 - i. The county office should verify that districts have done the following:
 - Used all other means of meeting cash needs, including transfers between funds and issuing TRANS.
 - Developed and verified a complete, detailed cash flow statement
 - Lengthened purchasing cycles
 - Followed up on any outstanding receivables
 - Ensured that all cash balances have been reviewed for possible temporary interfund transfers
 - Reviewed anticipated schedule of apportionments so cash flow infusions are known
 - ii. The county office should verify the following with its information technology department:
 - The ability to print “registered school order” and “not approved for want of funds” if using registered orders
 - The paper stock to be used and whether it is different than that normally used for warrants
 - How a register will be created
 - How accounting entries will be handled and whether existing processes need any adjustments.
 - iii. The county office should do the following with regard to the county treasurer and county auditor

- Communicate well in advance regarding potential need
- If using registered warrants, seek the required resolution from the county board of supervisors
- iv. The county office should do the following regarding and in coordination with all agencies and departments:
 - Determine whether registered orders or registered warrants will be used.
 - Determine which agencies and departments involved, including the county office and its information technology department, the district or districts, the county auditor and the county treasurer.
 - Develop written procedures.
 - Ensure that all parties clearly understand what the process will be and the roles and responsibilities of each agency and department.
- v. Additional actions and considerations include the following (responsible parties depending on the particular situation):
 - Communication with employees who will be affected.
 - Communication with vendors that will be affected.
 - Consider seeking legal counsel.
 - Consider seeking IRS input.
 - Communication with voluntary deduction vendors.
 - Communication with local banks and credit unions. Will they honor registered orders/warrants made payable to their members or customers. If so, is there a special process for this, such as a special teller or manager approval?
 - Creation and distribution of press releases.
 - Determine who will be responsible to publish notice in the newspaper once funds are available. Wording should be prepared ahead of time and the numbers filled in when funds become available.
 - Determine the process for tracking registered warrants or orders that have been presented to ensure compliance with the statutory 60-day deadline.

- Determine the process for generating warrants, including interest, when registered warrants or orders are presented

4. Procedures

- a. The specific procedures for registering warrants will vary depending upon a number of factors such as the following:
 - The extent and length of cash shortfall
 - The procedures and composition of the district, the county office, the county auditor and the county treasurer's office
 - Data processing services
 - Legal opinions
 - Payees

- b. Following is a sample procedure for Alternative 1.

A sample procedure is not provided for Alternative 2 because that alternative must be approved by the county board of supervisors and is thus usually regulated by the county auditor.

Sample procedure under Alternative 1:

1. The district determines the order in which obligations are to be paid. Once an order is numbered and dated, no payment of any subsequent order is allowed until sufficient funds are on deposit to pay the first order. Thus, although subsequent smaller orders may be affordable, they are not payable until all prior orders are cleared for payment. This inflexible queuing means that a district should carefully consider where an order will fall in the queue before it is submitted.
 - a. Payroll orders normally supersede any others issued on the same date.
2. The district prepares the payroll or vendor payment request.
3. The individual warrants (now called registered school orders) are drawn according to the usual county office procedure for doing so.
4. The county office registers the entire order by number and date in the sequence, as submitted by the district.
5. A separate list is sent to the county auditor and treasurer.

6. The face of each warrant bears the notation, “Registered School Order”. Pursuant to Education Code section 42670, the reverse will be stamped, “Not approved for want of funds”.
7. The registered school orders and accompanying register pages are then returned to the district.
8. An example of the accounting and general ledger entries is as follows:
 - a. Debit expense object.
 - b. Credit registered warrant suspense.
 - i. At this point there is no credit to cash.
 - c. Manually reverse all transfers that were posted to expense.
9. The district distributes the registered school orders.
10. Each registered school order should be accompanied by a complete and detailed explanation of what this means to the claimant, including information regarding interest, cashing and public notice.
11. Interest at 5% per annum begins on the date the registered school order is issued and is calculated on the basis of 360 days. Interest ceases to accrue on the date posted in the legal notice (see item 12 below).
12. When funds become available, the county superintendent of schools office will publish a notice listing the registered school order numbers that may be redeemed and advise the district accordingly.
13. To be redeemed, registered school orders are to be returned to the county superintendent of schools office.
14. Interest is calculated from the date of issue through the date posted in the legal notice (E.C. section 42671).
15. Following is a suggested procedure and the accounting/general ledger entries for use when a warrant is issued in place of a registered school order.
 - a. The registered school order is stamped “VOID.”
 - b. Debit interest object classification (to post applicable interest).
 - c. Debit registered warrant suspense.
 - d. Credit cash (sum of b and c above).

- e. Post transfers.
 - f. Issue the warrant, including applicable interest.
 - g. Prepare new registers in the normal manner.
 - h. In the case of payroll warrants, a nonpayroll warrant should be issued to cover the net pay with interest. Because the registered warrant included posting to the employee earnings record, it is not necessary to repost this. The nonpayroll warrant should be issued payable to the bearer of the registered school order, not necessarily the employee.
16. Warrants not redeemed within a reasonable period of time should be recalled and a letter sent to the claimant. (See E.C. sections 42673 through 42693 regarding the 60-day limit).

5. Payroll

- a. The education code's provision for registered orders appear to allow some flexibility regarding the requirement that regular employees be paid no earlier than the last working day of any month and no later than the fifth working day of the following month. Registering payroll orders enables an educational entity to place something in employees' hands but in reality not pay anything until the funds until the funds are on deposit to cover the order.
- b. This raises the legal question of whether the deposit of payroll taxes is due as usual on a payroll consisting of registered orders (particularly to the IRS as covered in IRS code sections 6656 and 6931). And, if payroll taxes are due, can payment be made by registered order without suffering penalties? In the past, one district did pay the IRS with a registered warrant and the IRS attempted to deposit it. When the bank refused the warrant, the IRS imposed on the district the standard penalty one percent of the warrant. Seeking legal counsel and asking the IRS these and similar questions before taking action may avoid extra cost in an already expensive process.
- c. Voluntary employee deductions may be handled using the same process as other registered orders; each agency receiving the voluntary deduction would be issued a registered school order. It is essential that the various agencies be contacted to ensure that they understand the process and method for handling employee deductions. Districts that have had to register orders have found that some vendors have been quite cooperative and understanding and have deferred the payments until the funds have been received.

6. Credit Unions and Banks

- a. Almost all school-related credit unions, including school employee association credit unions, have demonstrated a willingness to honor registered school orders made payable to their members. Membership usually means having a small minimum balance on deposit. Credit unions often cash or deposit registered school orders in full without discounting them. The employee endorses the registered but unsigned school order over to the credit union and it becomes their property.
- b. The credit union is entitled to the legislated (E.C. section 42671) 5% annual interest from the date of issue of the warrant through the date on which sufficient funds became available to pay the warrant and the interest. This date is determined by the county based on its expectations of when apportionments will be forthcoming and is to be published as a legal notice in the newspaper.
- c. The interest rate is determined based on the 5% annual rate and the number of days elapsed as compared to 360. The credit union submits all registered school orders and a claim for total interest to the county superintendent of schools office, and a warrant covering interest and principal is then issued.
- d. Some banks will also honor registered school orders. County office and school district administrators should contact and make arrangements with specific bank branches. The payee may be required to obtain approval from the manager and a designated teller assigned to handle these warrants because the process for redeeming them is different other forms of payment.
- e. Individuals who hold registered warrants and do not cash them are also entitled to the 5% interest.
- f. Districts and county offices should write letters to their respective vendors delaying payment for as many warrants as possible, but should not delay payroll. Withholding amounts cannot be paid directly to credit unions as they normally can be for loan payments and share accounts.

7. Communications and Public Relations

- a. It is important to keep all parties affected by registered orders fully informed in a timely manner throughout the process, especially before the registered warrants are issued.
- b. County office should provide clear assurance that payment is forthcoming and that the district or county office's inability to pay is temporary.

- c. Claimants need to know how the orders will be honored, what the procedure for exchanging them is, and how they will receive notice about the exchange. Employees need to be informed of the banks and credit unions that have agreed to accept orders from members and customers.
- d. Local banks also need to be kept aware of the situation as it progresses.
- e. It can be helpful to make both written and personal contact with vendors to assure them of eventual payment and keep them as a source of services and supplies.
- f. The county auditor and treasurer need to be part of the initial planning and kept informed throughout the process.
- g. Issuing a complete and factual news release can help reduce or eliminate public and media misinformation and speculation.
- h. When registered orders are no longer necessary, a series of bulletins and news releases showing how the district or county office is putting itself in a better cash-flow position can help to restore public trust and reduce the anxiety employees and vendors who have been paid late.

II. COUNTY OFFICE RESPONSIBILITIES

A. Based on the review of the various legal requirements for the county office of education in relation to the cash accounts of the district, there are two areas of responsibility for the county office:

- 1. Responsibility to approve the orders on the funds of school districts.
- 2. Responsibility to prescribe alternate procedures for fiscally accountable districts.

B. These responsibilities of the county are addressed in the following procedures:

- 1. P-012 Approving District Orders
- 2. P-013 Fiscal Accountable and Fiscally Independent Districts

C. Cash Reconciliations

- 1. Each month, or more often as needed, the county office of education receives a report from the county treasurer on the cash balances for each district in the county.
 - a. These reports from the county treasurer are the information that school districts need to reconcile the cash accounts in their general ledger to their bank account, the county treasury.

- b. In some counties, the county office staff reconcile the district's general ledger cash account to the county treasurer's cash balances.
 - c. In other counties, the county treasurer's reports are provided to the districts and the district staff reconcile their general ledger to the county treasurer.
- 2. There is nothing in the Education Code that requires COEs to reconcile these cash accounts. Those COEs that perform the reconciliations do this as an additional service to their districts and as a tool in their fiscal oversight.
- 3. If the COE doesn't perform the cash reconciliation, they will often request a copy of the district's reconciliation for their AB 1200 review (one tool to assess the adequacy of the district's cash flow).

D. Cash Monitoring

- 1. The COE should ensure that cash is monitored sufficiently. Depending on which tasks are performed by the COE and the districts, COEs may do the following:
 - a. Monitor the cash balances for their districts to ensure that the districts have sufficient funds to meet payroll and make vendor payments.
 - b. Monitor the cash balances daily, weekly or monthly.
 - c. Assist the districts in determining when to draw down their tax and revenue anticipation notes (TRANS) for cash flow purposes.

III. LEGAL CITATIONS

A. Government Code

- 1. Sections 27000-27013

Provide laws on county investments and disbursements from the county treasury.

- 2. Sections 53600 –53609

Provide laws on investing public funds

- 3. Sections 53630-53686

Define terms, responsibilities of county treasurer, laws on deposits with county treasurer, and eligible securities.

B. Education Code

1. Sections 41000 – 41003

Provide laws on deposits of district funds into the county treasury.

2. Sections 41015 - 41016

Authorize the district or county office of education to invest surplus moneys not required for the immediate necessities of the district or county office of education.

3. Section 41017

Authorizes the school district or county office of education to deposit funds in a local bank to serve as a clearing account for miscellaneous receipts.

4. Section 41018

Authorizes a school district or county office of education having an average daily attendance of 100,000 or more to deposit funds received from the temporary rental of property pending construction of school facilities on the property into a bank account.

5. Education Code Sections 42620 – 42633

Provide laws on temporary transfers to school districts and county offices of education that do not have sufficient money to its credit to meet current operating expenses.

6. Education Code Sections 42630 – 42652

Provides laws on the payment of money from the funds of a school district.

7. Education Code Sections 42820 – 42821

Provide laws on the revolving cash fund.

8. Education Code Sections 42670 – 42678

Provide laws on orders and warrants when moneys are not available.

9. Education Code Sections 42690 - 42694

Provide laws on optional method - registering warrants.

Internal Controls for AB 1200

I. OVERVIEW

- A. Internal controls are the policies and procedures that promote efficiencies in operations, protect public funds, reduce the risk of fraud and abuse, and ensure the accuracy and timeliness of financial reporting.
- B. The county office reviews district financial reports and other documentation due to the requirements of AB 1200.
- C. Without an understanding of a district's internal controls, a staff member performing AB 1200 reviews must make certain assumptions regarding the accumulation and recording of financial data.
- D. For example, to determine that the budgeted salaries are correct in the second interim report, the county office staff will review a financial report.
 - 1. The staff may compare the actual expenditures to date plus the encumbrances to determine that the budgeted salaries are reasonable.
 - 2. A reviewer can better determine the reasonableness of salary budgets if there is a good understanding of how salary information is calculated, documented and recorded.
 - 3. For example:
 - a. If the district is using a position control software module, is the position control system linked to the budget and payroll modules? Is the position control system used as a true control system or as a database to collect and report data? Are duties divided so that one person or one department is not entering all the information in the position control system? Are there appropriate controls supporting the software process (e.g. board approval of all positions that are created and deleted)?
 - b. If the district's computer system encumbers salaries, are the encumbrances accurate? Are any salaries not encumbered?
- E. Without an understanding of a district's internal controls, the county office risks approving a certification on an interim report that may be inaccurate or approving a budget that the county office should have disapproved.

II. USING INTERNAL CONTROLS IN THE AB 1200 REVIEW

- A. When the district's budget is qualified, negative or under AB139, the county office staff may want to incorporate the district's internal controls review for financial reporting as a part of their AB 1200 review.

Internal Controls for AB 1200

- B. There are a few ways of determining if the county office can reasonably rely on the internal controls of the district when conducting AB 1200 reviews.
1. The lack of internal controls can manifest itself in many different ways. Evaluating the following sections of FCMAT's Fiscal Health Risk Analysis and Key Fiscal Indicators can help identify manifestations of a lack of internal controls:
 - a. Encroachment
 - b. Management Information Systems
 - c. Position Control
 - d. Budget Monitoring
 - e. Audit Report
 - f. General Ledger
 2. Review the district's last audit report to determine if the internal controls failed, passed, or had major exceptions. It helps to read the following sections/reports in the audit report:
 - a. Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements.
It could be a sign of a weakness in internal controls if the district's auditor continually has to adjust the district's unaudited actuals. For example, it might mean the district has a control weakness in identifying and recording revenues if every year the auditors make an adjustment to the accounts receivable balance.
 - b. Report on State Compliance.
Determine which procedures were performed and which were not. Read the opinion to see if the auditor found compliance or not.
 - c. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
Read the opinion to see if the auditor found compliance or not.
 - d. Independent Auditor's Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
Read the opinion to see if the auditor found compliance or not.
 - e. Findings and Questioned Costs Section.
Review this section for findings that detail issues with internal controls.

Internal Controls for AB 1200

3. Under the provision of Education Code Section 41020.8, request that the district's independent auditors send to the county office their working papers regarding testing of internal controls. This can only be used for those districts for which the county office has determined that the district may not be able to meet its financial obligations of the current or subsequent fiscal year.
4. The county office can perform its own test of the district's internal controls. The internal control spreadsheets in this section are tools that the county office may use to gain information regarding the internal controls in their districts. A district's cooperation in completing these spreadsheets is voluntary. There is no provision in the law that authorizes the county office to compel a district to complete such internal control surveys. Therefore, it is important to maintain good relations with a district so that their participation in such a study will be without reservation. When a cordial relationship exists with the district, the county office can also learn about flaws in a district's internal controls through personal conversations with district staff.
 - a. The most efficient way to use these spreadsheets is to e-mail them to the districts for completion.
 - b. The county office should schedule a meeting with the district to determine if the completed information is reasonable and discuss any questions raised by the responses to the questionnaire.
 - c. After the first year, the county office should periodically send the completed spreadsheets to the district with a request to review the responses and make any changes based on current operations.
5. In order for the completed spreadsheet to have value, the county office must test the district's claims. If it does not test the internal controls that a district claims it has in place, the county office can make erroneous decisions about a district's financial status while believing that they have a complete understanding of the internal controls. Making decisions based on an understanding of untested internal controls may be riskier than making decisions when one knows they have no understanding of the internal controls. There are several reasons for this:
 - a. If a district is not accurate when it completes the spreadsheet, the county office will rely on false information when determining the sufficiency of internal controls.
 - b. The district may have written control procedures; however, actual practice may differ from the written control procedures.

Internal Controls for AB 1200

- c. The district may be unaware of significant errors that may occur in the processes. If one does not know the rate of error that may exist, one may place too much confidence in a control procedure. The quality of a procedure often depends on the competence of those tasked with complying with the procedure.
- d. A reviewer is more likely to investigate differences and anomalies in a report if they lack confidence in the district's internal controls. A reviewer might be willing to accept a difference or anomaly if the reviewer feels that internal controls are sufficient, even though their understanding of those controls is incorrect.

Internal Control Review Sheet

Instructions: Answer all questions by entering an “X” (where appropriate) under “Yes,” “No,” or “NA,” and filling in additional information (if any) in the *Comments* section. In most instances, a “No” answer indicates an internal control weakness. The *Comments* section will expand to accommodate longer answers.

Question	Yes	No	NA	Comments
A. BUDGET MONITORING	**	**	**	*****
• List the individual(s) who completed this spreadsheet and their position/title(s).	**	**	**	
• Are the accounting principles used in preparing the budget the same as those used in recording actual transactions and preparing the financial statements? If no, explain any differences.				
• Who is responsible for monitoring the budget:	**	**	**	*****
a. At the organization level?	**	**	**	
b. At the department or program/grant level?	**	**	**	
• Have the individuals who are responsible for the budget monitoring received training on how to read the financial reports (budget to actual)?				
• How often are budget to actual expenditure reports provided to the individuals identified as responsible for budget monitoring?	**	**	**	
• Is there a process to ensure that errors identified in the review of the budget to actual expenditure reports are reported to a responsible official for correction? Explain.				
• Are budget variances (expenditures in excess of the budget or significantly under the budgeted amount) identified on a periodic basis? Explain how this is done.				
• Is there a procedure to ensure that negative budget variances (expenditures in excess of the budget) are analyzed and that a budget adjustment is prepared? Explain the procedure.				
• Are there established procedures for adjustments to the budget? Describe the process for adjusting the budget. Do these procedures require documentation for all adjustments to the budget?				

Internal Control Review Sheet

Question	Yes	No	NA	Comments
<ul style="list-style-type: none"> Does the district's financial software automatically prevent the issuance of a purchase order if there are not enough funds in that line item of the budget? If yes, who has authority to override the system? 				
B. BUDGET DEVELOPMENT	**	**	**	*****
AVERAGE DAILY ATTENDANCE (ADA)	**	**	**	*****
<ul style="list-style-type: none"> What method does the district use to project ADA for the budget year and the two subsequent years? 	**	**	**	
SALARIES AND BENEFITS	**	**	**	*****
<ul style="list-style-type: none"> Is there a position control system in place? Describe the system (i.e., does the district use a spreadsheet or a software module). 				
<ul style="list-style-type: none"> Which positions are budgeted in position control and which positions are not? 	**	**	**	
<ul style="list-style-type: none"> Describe who maintains the position control system and how it is maintained. 	**	**	**	
<ul style="list-style-type: none"> If the district is using a software module for position control, describe how the district verifies that payroll checks are only issued to people who are in authorized positions. 	**	**	**	
<ul style="list-style-type: none"> Does the district budget all authorized positions? If not, explain. 				
<ul style="list-style-type: none"> Does the district budget for the impact of salary savings due to positions that are authorized and budgeted but not filled for a period of time? 				
<ul style="list-style-type: none"> Does the district have a procedure to ensure that no one is hired or put on payroll unless there is a position in the budget? Explain. 				
<ul style="list-style-type: none"> Does the governing board approve all new hires, new positions, and upgrades of existing positions? How is this documented? 				

Internal Control Review Sheet

Question	Yes	No	NA	Comments
<ul style="list-style-type: none"> Explain how the district budgets the statutory benefits. For example, are the benefits calculated on the position control spreadsheet or using the position control system? 	**	**	**	
<ul style="list-style-type: none"> Explain how the district budgets the health and welfare benefits. 	**	**	**	
<ul style="list-style-type: none"> Is there a policy on how much vacation an employee may carry over from year to year? What are the limits? Is anyone over the limit? 				
GRANTS	**	**	**	
<ul style="list-style-type: none"> Explain the process for preparing the budgets for state and federal grants? For example, does the district prepare a budget based on an estimate from the previous year or wait until they receive a grant letter? 	**	**	**	
<ul style="list-style-type: none"> How does the district budget the salaries and benefits in the grants? That is, are individuals assigned to the grant at the beginning of the year or are individuals charged to the grant during the year? 	**	**	**	
<ul style="list-style-type: none"> When does the district budget the deferred revenue or carryover from the previous year? 	**	**	**	
<ul style="list-style-type: none"> Does the district have a procedure for including the expected cost of any negotiated salary increases in the grant budgets or ensuring that sufficient funds are available to cover any authorized salary increase? 				
CONSTRUCTION	**	**	**	
<ul style="list-style-type: none"> Who is responsible for preparing the construction budgets? 	**	**	**	
<ul style="list-style-type: none"> Does the district have construction projects in progress? 				
<ul style="list-style-type: none"> How are these projects funded? 	**	**	**	
<ul style="list-style-type: none"> If the district has general obligation authority does the district have a list of all the projects that they will fund from these amounts in the future and the cost of these projects? 				

Internal Control Review Sheet

Question	Yes	No	NA	Comments
<ul style="list-style-type: none"> Explain how the district prepares the budget for each construction project. For example, does the district budget the amount of the entire construction project or only the amount that the district will use in that fiscal year? 	**	**	**	
<ul style="list-style-type: none"> Are the construction budgets monitored monthly? Who performs this function? 				
<ul style="list-style-type: none"> How does the district budget the change orders? 	**	**	**	
C. FINANCIAL REPORTING	**	**	**	
PURCHASE ORDERS AND ENCUMBRANCES	**	**	**	
<ul style="list-style-type: none"> Does the district financial system encumber all salaries? If not, which salaries are not encumbered? 				
<ul style="list-style-type: none"> Does the district's financial system encumber all benefits? If not, which benefits are not encumbered? 				
<ul style="list-style-type: none"> Are purchase orders required for the purchase of all goods and services? If not, explain. 				
<ul style="list-style-type: none"> Does the district's financial system encumber all purchase orders? If not, please explain. 				
<ul style="list-style-type: none"> Are all encumbrances liquidated at year-end? 				
<ul style="list-style-type: none"> If all encumbrances are not liquidated at year-end, how does the district determine that they are still valid? 	**	**	**	
CONSTRUCTION	**	**	**	
<ul style="list-style-type: none"> Does the district record the retainage payable as it is incurred (as invoices are received from the contractor)? 				
<ul style="list-style-type: none"> How does the district deal with significant cost overruns in a construction budget? 	**	**	**	

Approving District Orders

I. OVERVIEW

- A. Most payments made from school district funds are from the cash account maintained at the county treasury.
- B. With the exception of fiscally accountable and fiscally independent school districts, the school district's vendor and payroll warrants are prepared and signed at the county office of education. This is the case for the warrants of every school district that is not fiscally accountable or independent, regardless of whether the district uses the county office's financial accounting system or a different financial accounting system (in which case it is commonly known as an off-line school district).
- C. Education Code sections 42630 – 42652 govern how money must be paid from the funds of a school district. These code sections are explained below:

- 1. Education Code section 42631

- a. The school district must make all payments from the funds of a school district by written order of the governing board of the district.
 - b. The county superintendent of schools must prescribe the forms used to process orders unless the warrants are processed by an on-line data processing system.

- 2. Education Code section 42632

- At least a majority of the members of the governing board of the district, or a person or persons authorized by the governing board to sign orders in its name, must sign each order drawn on the funds of the school district.

- 3. Education Code section 42633

- a. The governing board of each school district is responsible for filing or causing the staff to file the verified signature of each person, including members of the governing board, authorized to sign orders.
 - b. The county superintendent must not approve orders for payment unless the signatures are on file in his or her office and he or she is satisfied that the signatures are of persons authorized to sign the orders.

Note: this provision does not apply to fiscally accountable districts.

- 4. Education Code Section 42634

The orders drawn against the funds of the school district must be numbered and state:

- a. The fund or funds of the district against which the order is drawn.

Approving District Orders

- b. The amount of the payment to be made from each fund.
 - c. For orders drawn for the payment of salary or wages, the rate of salary and the period of service for the employee.
 - d. If the order is drawn for payments other than salaries or wages of school district employees (vendor payments), the district must accompany the order with an itemized bill showing each item and its price.
 - e. If the county superintendent of schools determines that including an itemized bill with the order is impractical, the county superintendent can require the district to maintain the itemized bills at the school district instead of submitting them with the orders for payment. The school district must maintain the itemized bills for audit, if needed at a later date.
5. Education Code section 42635
- a. School district must transmit each order drawn against the funds of the district to the county superintendent of schools, and if approved and signed, the order will become a requisition of the county auditor.
 - b. The county superintendent *may* prescribe alternative procedures for fiscally accountable districts.
6. Education Code section 42636
- a. The county superintendent of schools *may* examine each order on school district funds transmitted to him or her, in the order in which it is received.
 - b. If it appears that the order is properly drawn for the payment of legally authorized expenses against the proper funds of the district, and there are sufficient moneys in the fund or funds against which the order is drawn, the county superintendent will endorse the order as "examined and approved," and affix his or her signature.
 - c. The county superintendent transmits the order to the county auditor in the order in which the order was received in his or her office.
 - d. The county superintendent may prescribe alternative methods for districts that are fiscally accountable.
 - e. Upon approval by the county auditor, the county superintendent of schools may allow electronic transfers of the orders, which is a common practice in most counties.

Approving District Orders

7. Education Code section 42638

- a. If the county superintendent disapproves an order of the school district, it must be returned to the district's governing board with a statement of the reasons for disapproving the order.
- b. If the county superintendent determines that there is evidence of fraud or misappropriation, the county superintendent must notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.
- c. Education Code Section 42127.6 (h)(i) prohibits the county treasurer from honoring any warrant that the county superintendent or the Superintendent of Public Instruction has disapproved.

8. Education Code section 42639

- The county auditor *may* examine each order and requisition on school district funds transmitted to him or her by the county superintendent of schools.

9. Education Code Section 42641

- a. This code section authorizes the county auditor and county treasurer to allow the governing board of any school district to issue payroll orders in lieu of single orders for the payment of salary and wages.
- b. These payroll orders must be on forms prescribed by the county superintendent of schools and approved by the Superintendent of Public Instruction.
- c. The payroll orders may only be drawn for the payment of salaries and wages of employees, and constitute requisitions on the county auditor and warrants on the county treasury when approved and signed by the county superintendent of schools and allowed and signed by the county auditor, respectively.

10. Education Code Section 42642

- Requires that payroll orders list the names of all employees in whose favor the order is drawn and state the amount of money due each.

11. Education Code Section 42643

- The county superintendent must keep, open to the inspection of the public, a register of warrants, showing the fund from which the payment was drawn, the number, the payee, and the purpose.

Approving District Orders

II. COUNTY OFFICE RESPONSIBILITIES

(Note: Procedures for fiscally accountable and fiscally independent districts are included in procedure P-013)

A. Applicable Education Codes and County Office Responsibility

The sections of the Education Code that provide laws related to the county office responsibilities regarding district orders include some *legally required* procedures and some *permissive* procedures.

The following chart shows the provisions of the Education Code and whether they are *required* or *permissive*:

Procedure	Education Code Reference	Required	Permissive
The county superintendent must prescribe the forms used to process orders unless the warrants are processed by an on-line data processing system.	42631	X	
The county superintendent must not approve orders for payment unless the signatures are on file in his or her office and they are satisfied that the signatures are of persons authorized to sign the orders.	42633	X	
For orders for payments other than salaries or wages of school district employees, the district must include with the warrant an itemized bill showing the separate items and the price of each. If the county superintendent of schools determines that including an itemized bill is impractical, the county superintendent can require the district to maintain the itemized bills at the school district instead of submitting them with the orders for payment. The school district must maintain the itemized bill for audit.	42634		X
The county superintendent may examine each order on school district funds transmitted to them.	42636		X
If the county superintendent disapproves an order of the school district, it must be returned to the district's governing board with a statement of the reasons for disapproving the order.	42638	X	
If the county superintendent determines that there is evidence of fraud or misappropriation, the county superintendent must notify the governing board of the district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.	42638	X	

Approving District Orders

B. Procedures for Fulfilling County Office Responsibilities

1. The Education Code sections referenced in this section refer to the requirements for the county superintendent in relation to the payment of orders from school districts. These orders include the payment of the monthly or semi-monthly district payrolls and the payment of the vendor warrants from the districts.
2. Based on the previous chart that summarizes the applicable Education Codes, the county superintendent is required by law to perform certain duties related to district orders, while some of the laws are permissive.
3. By law, the county superintendent *is required to*:
 - a. Prescribe the forms used to process orders unless warrants are processed by an online data processing system.
 - i. In most of the school districts in California, warrants are now processed by an online data processing system; therefore, it is no longer necessary for the county superintendent to take any action to prescribe the forms.
 - ii. Additionally, some county offices issue vendors payments in an electronic form (through the VISA network, ACH, etc.). All other Education Code requirements should be adhered to when using this option; only the final form of payment is different.
 - b. Maintain the signatures on file in his or her office of the persons authorized to sign orders and determine that the signatures on orders are of persons authorized to sign the orders.
 - c. Submit a statement to the district governing board of the reasons for disapproving any district orders.
 - d. Notify the governing board of the district, the State Controller, the Superintendent of Public Instruction, and the local district attorney if they determine that there is any evidence of fraud or misappropriation.
4. By law, the county superintendent *may also perform the following*:
 - a. For orders for payments other than salaries or wages, Education Code section 42634 requires districts to accompany each order with an itemized bill. This section also authorizes the county superintendent to allow the districts to maintain the itemized bills at the school district instead of submitting them with the orders for payment.
 - b. Education Code section 42636 states that the county superintendent *may* examine each order on school district funds.

Approving District Orders

5. For payment orders for **vendor warrants**, county offices of education fulfill their responsibilities in a number of different ways. The procedures county offices use vary significantly because these code sections are permissive; therefore, it is up to the county superintendent of schools to decide which process is best for their individual county.

The following chart summarizes the procedures used in county offices of education to review/audit their districts' vendor warrants:

County Office Process	Additional Information
County office staff review all vendor payments and supporting documentation (100% review).	<ul style="list-style-type: none"> District staff are required to submit purchase requisitions, purchase orders, receiving reports and vendor invoices for review by county office staff. An alternate form of the 100% review is to request that the school districts submit the invoice only (not all of the documentation used to support the payment).
County office staff review a sample of vendor payments and supporting documentation.	<ul style="list-style-type: none"> County office staff select a sample of vendor warrants for review. This is either a statistical sample or sample selected based on the county office's judgment. Based on the sample selected, the district staff submit copies of the supporting documentation for the county office staff to review.
County office staff review a sample of vendor payments at the district office.	<ul style="list-style-type: none"> County office staff select a sample of vendor payments for review. This is either a statistical or a sample selected based on the county office's judgment. Based on the sample selected, county office staff review the supporting documentation for the vendor warrants at the district office.
County office staff do not review any vendor warrants.	<ul style="list-style-type: none"> The county office relies on the district business office and the district's auditors to ensure that the internal controls for vendor payments are adequate and that the district is processing the vendor payments in accordance with applicable laws, regulations and district policy.

Approving District Orders

The following chart summarizes the pros and cons of various review/audit procedures used in different county offices of education:

Approach	Pros	Cons
100% Review	<ul style="list-style-type: none"> • May enable the county office to gain a complete understanding of the internal controls operating in the district for vendor payments. 	<ul style="list-style-type: none"> • Labor intensive. The county office will need to devote significant staff to review every vendor warrant in every district in the county. • Staff assigned to perform a 100% review may not have a thorough understanding of all laws and regulations governing district expenditures. This may result in the county office reviewing and approving expenditures that are in violation of laws, regulations or good business practices. • The district and county office may have a false sense of assurance about the district's expenditures.
Sample Review	<ul style="list-style-type: none"> • Efficient and cost effective. 	<ul style="list-style-type: none"> • The quality of the review depends on the experience and training of the staff performing the review. • The staff performing the review will need to gain an understanding of the internal controls for vendor payments while performing the review of a test sample of transactions.
No Review	<ul style="list-style-type: none"> • Requires the least amount of county office staff time. 	<ul style="list-style-type: none"> • If the district does not have competent staff and the audit does not detect the internal control weaknesses or the violations of laws and regulations, the county office may not have any indication that the district is not a going concern, or is having financial issues, until it is too late. This going concern could result from expenditures coded incorrectly, expenditures in violation of the law, etc.

6. For the payment of **payroll orders**, the procedures county offices follow vary, ranging from not performing any review on the payroll orders to a very detailed review that includes the following:
 - a. Comparing the prior month's payroll report to the current payroll order.
 - b. Requesting documentation on all changes from the prior month (i.e., new employees, deletion of an employee, change in salary, and change in payroll withholding).

I. OVERVIEW

- A. Fiscal independence is approved by the Superintendent of Public Instruction (SPI) and authorizes a district to issue all of its warrants independent of the county office of education.
- B. Fiscal accountability is approved by the county superintendent of schools and authorizes a district to issue its payroll or vendor warrants independent of the county office of education.
- C. Fiscally independent districts operate their own financial accounting system. Fiscally accountable districts may contract with the county office for computer services, but most operate their own financial accounting system.
- D. Education Code section 42652
 - 1. Allows the SPI to revoke or suspend a district's fiscal independence status if the district has a qualified or negative certification pursuant to section 42131.
 - 2. Allows the county superintendent of schools to revoke or suspend a district's fiscal accountability status if the district has a qualified or negative certification pursuant to section 42131.
- E. Fiscally accountable and fiscally independent districts must comply with AB1200 and AB2756 (Daucher).

II. FISCAL INDEPENDENCE

- A. Education Code section 42647 establishes a process for a district to become fiscally independent of the county office of education for paying salary and vendor warrants. The status of a district approved under the process described in this code section is commonly called fiscal independence.
- B. With the approval of the SPI, the governing board of a unified school district, or a district with an average daily attendance of more than 10,000, may cause to be drawn all warrants against all district funds in the country treasury, except debt service, to pay the district's expenses.
- C. Once a district is granted fiscal independence, the county office is not responsible for producing reports, statement or other data relating to or based on payments of the district's expenses.

D. Warrant Process

1. The warrants shall be issued by a person designated as the district auditor or the district disbursing officer for the school district against funds in the county treasury in payment of all claims chargeable against the district.
2. The claims must have been legally examined, allowed and ordered by the governing board.
3. The district auditor shall issue warrants against funds in the county treasurer for all debts and demands against the district.
4. The district's governing board must prescribe the form of the warrants, and the county auditor or county treasurer must approve the form of the warrants.
5. The district must pay the cost of printing the warrants.
6. The district is responsible to keep all warrants, vouchers and supporting documents.
7. On the same day it issues warrants, the school district must forward to the county auditor, upon his or her request, and to the county superintendent, a list of the warrants issued.
 - The form and content of the warrant listing shall be as prescribed by the governing board and approved by the county auditor.
8. The school district must furnish monthly to the county superintendent of schools and the county auditor, upon their request, a statement showing the amount budgeted, actual expenditures, encumbrances and unencumbered balances, for both the current fiscal year to date and for each required expenditure classification.

E. Required Reports

- Districts shall provide the county superintendent of schools, in the form prescribed by them, with the data necessary to make retirement reports and other reports required by law.

F. Cost of Fiscal Services

- The county auditor and the county treasurer may charge the districts for the cost of all fiscal services.

G. Bond

1. The person whom a fiscally independent district's governing board authorizes to issue warrants shall execute an official bond in an amount fixed by the governing board.

2. A county superintendent of schools or a county auditor shall not be liable under the terms of the bond or otherwise for any warrant issued by a fiscally independent district.

H. The Approval Process

1. Districts must obtain approval of the SPI to become fiscally independent of the county office of education.
2. Districts must file a written application with the county superintendent of schools.
 - a. Upon receipt of the written application, the county superintendent shall cause a survey to be made of the district's accounting controls by an independent certified public accountant (CPA) or a public accountant.
 - b. The Office of the State Controller prescribes the standards for the survey of the accounting controls.
Note: As of January 2004, the Controller had not issued standards for the survey of the accounting controls.
 - c. The certified public accountant (CPA) or public accountant shall report his or her findings and recommendations to the county superintendent, the county auditor and the applicant district.
3. The county superintendent is responsible to forward to the SPI the following:
 - a. The district's application
 - b. His or her other recommendations
 - c. The recommendations of the county auditor
 - d. A report of the survey
4. The SPI is responsible to approve the application only if they find that the accounting controls are adequate.
 - a. If the SPI determines that the controls are inadequate, they shall disapprove the application.
 - b. If the SPI disapproves the application, the SPI and the county superintendent of schools shall state the specific steps that the district must take to receive approval.
5. The district is required to reimburse the county superintendent of schools for all costs incident to the accounting controls survey made pursuant to the district's application.

I. Beginning Fiscal Independence

1. When approved by the SPI, fiscal independence is effective at the beginning of the fiscal year if the approval was made before the preceding first day in January.
2. If at any time the county superintendent of schools determines that the district's accounting controls have become inadequate, they may recommend to the SPI that the approval be revoked, to be effective on the first day of the following fiscal year.

III. FISCAL ACCOUNTABILITY

- A. Education Code section 42650 provides the legal basis for a district to issue its own payroll or vendor warrants. The status of a district that is approved under this code section is commonly called fiscal accountability.
- B. With the approval of the county superintendent of schools, the governing board of a school district may cause warrants to be drawn on the county treasury against designated funds, except debt service.
- C. For fiscally accountable districts, county officers are not responsible for providing reports, statements or other data relating to or based on the designated payments of the district's expenses. This applies to the type of warrants for which the fiscal accountability status was approved.
- D. Warrant Process
 1. A person designated as the district disbursing officer issues the warrants.
 2. Code allows warrants for salary and other types of claims (vendor payments) designated by the county superintendent to be issued by the district disbursing officer.
 3. The district's governing board examines, allows and orders the payment of the warrants.
 4. The district disbursing officer is authorized to issue warrants, using procedures prescribed by the county auditor, within categories designated by the county superintendent.
 5. The county auditor or treasurer prescribes and approves the form of the warrants.
 6. The cost of printing warrants may be charged to the district. The county auditor and county treasurer may charge fiscally accountable districts for the cost of all fiscal services.

7. This code section authorizes the county superintendent and county auditor to prescribe procedures for districts to issue warrants, including specifying who is to sign the warrants.
8. On the same day it issues warrants, the school district must forward to the county auditor, upon his or her request, and to the county superintendent, a list of the warrants issued.
 - The form and content of the warrant listing shall be as prescribed by the county auditor and county superintendent and approved by the county auditor.
9. The school district must furnish monthly to the county superintendent of schools and the county auditor, upon their request, a statement showing the amount budgeted, actual expenditures, encumbrances and unencumbered balances, for both the current fiscal year to date and for each required expenditure classification.

E. Required Reports

- Fiscally accountable districts are required to provide the county superintendent, in the form prescribed by them, with the data necessary to make retirement reports and other reports required by law.

F. Periodic Review

1. Education Code section 1241.5 allows the county superintendent to audit the district's financial transactions and internal controls at any time during the fiscal year.
2. The county superintendent must report the findings to the governing board within 45 days of completion of the audit.
3. The county superintendent may revoke the district's fiscal accountability status if they determine the controls are not adequate.

G. Bond

1. The person authorized to issue warrants shall execute an official bond in an amount fixed by the governing board.
2. The county superintendent and county auditor shall not be liable under the terms of the bond or otherwise for any warrant issued.

H. The Approval Process

1. The governing board shall file a written application with the county superintendent and the county auditor.

2. The county superintendent prescribes the forms and processes to be used for the application.
3. Upon receipt of the application from the district, the county superintendent shall cause an audit to be made of the district's management and accounting controls, in accordance with standards prescribed by the county superintendent or by an independent certified public accountant (CPA) or public accountant approved by the county superintendent.
 - a. The audit is performed by an independent certified public accountant (CPA) or public accountant approved by the county superintendent.
 - b. The auditor reports their findings and recommendations to the county superintendent and the district.
 - c. The annual audit of the district may serve as the audit for this purpose, if that is acceptable to the county superintendent.
 - d. The district is responsible for the cost of the audit.
4. The county superintendent and the county auditor review the district's application and the audit and may approve the application if they determine that the district's management and accounting controls are adequate.
 - a. If they determine that the controls are not adequate, they shall disapprove the application.
 - b. If disapproved, the county superintendent shall state the specific steps the district must take to receive approval. The auditor must certify these steps as complete before the county superintendent approves the application.
5. Timeline:
 - a. The district must file its application with the county superintendent on or before September 1.
 - b. The audit of the district's management and accounting controls must be filed on or before January 1.
 - c. When the application is approved, the fiscal accountability is effective at the beginning of the fiscal year, provided the approval was made before the preceding first day in March.

6. Revocation

- If at any time the county superintendent or the county auditor determines that the management or accounting controls have become inadequate, either officer may revoke the fiscal accountability status immediately.

IV. SUMMARY OF COUNTY OFFICE RESPONSIBILITIES

A. Fiscally Independent Districts

1. The county office of education has a number of responsibilities during the approval process for fiscal independence:
 - a. Upon receipt of the application for fiscal independence, hiring a certified public accountant (CPA) or public accountant to perform a survey of the district's accounting controls.
 - b. Contact the Office of the State Controller to obtain the standards for the survey of the accounting controls.
 - c. Forward the completed application, survey report, and recommendations from the county auditor and the county superintendent to the SPI.
2. If the SPI disapproves the application, work with the SPI and the district to determine the steps the districts needs to take to receive approval.
3. If the district's application is approved, ensure that the district implements the fiscal independence process on time and not before the allowed date.
4. Some counties require the district's auditors to issue a separate letter in the annual audit report stating that the district's controls for warrant processing are still adequate to maintain their fiscal independence status.
5. If the county office determines that the accounting controls have become inadequate, it may recommend that the SPI revoke the approval for fiscal independence.

B. Fiscally Accountable Districts

1. The county superintendent has the responsibility to do the following:
 - a. Determine the forms to be used for the application for fiscal accountability.
 - b. Receive the application from the district.
 - c. Hire an auditor to audit the district's management and accounting controls, in accordance with standards prescribed by the county superintendent or by a CPA or public accountant approved by the county superintendent.

- d. Approve or disapprove the district's application.
- e. If disapproved, notify the district of the steps needed to receive approval.
- 2. The county superintendent may revoke the district's fiscal accountability status if they determine that the controls are not adequate.
- 3. The county superintendent may prescribe alternative procedures in the following areas:
 - a. Transmitting orders – Education Code Section 42635
 - b. Examining district orders – Education Code Section 42636
 - c. Maintaining registers of warrants – Education Code Section 42643

V. COMMUNITY COLLEGES

Although the county superintendent does not have fiscal oversight responsibility (Ed Code 1240 (1)(4)), the county superintendent is responsible for authorizing warrants to be issued. Education Code sections 85266 and 85266.5 provide the legal basis for community colleges to obtain fiscally accountable or fiscally independent status. The process and timeline mirror the preceding steps outlined for K-12 districts.

Bargaining Agreement Disclosure

I. OVERVIEW

- A. The California County Superintendents Educational Services Association (CCSESA) has stated the following:

The single most critical area to monitor is the economic impact of salary settlements, yet this area is probably the weakest in terms of State regulation. Even with current regulations, the only thing a county superintendent can do when evaluating the impact of a pending salary settlement is to publicly comment on their concerns prior to ratification by the district's governing board. The only exception to the rule is when a fiscal advisor is already in place in the district. Then a county superintendent can impose the stay and rescind authority if the governing board approves a salary settlement that will hurt the district fiscally.

- B. School district management teams meet with the various employee bargaining unit organizations (different for each district depending on their employee elections) each year to negotiate salary schedules, health and welfare benefits, work days and other changes in the terms of the district's annual contracts with employees.
- C. Because salaries and benefits usually make up at least 80% or more of the total expenditures in the general fund, any increases in these amounts can have a significant impact on the district's ongoing fiscal solvency.

II. LEGAL REQUIREMENTS

- A. The following are the key elements of the code sections related to salary settlements/collective bargaining:

Code Section	Major Provisions of the Code Section
Education Code 42142	<p>Within 45 days of adopting a collective bargaining agreement, the superintendent of the school district shall forward to the county superintendent of schools any revisions to the school district's current year budget that are necessary to fulfill the terms of that agreement.</p> <p>The school district must include any additional costs that may result from the terms of the collective bargaining agreement in any interim fiscal reports or multiyear fiscal projections.</p>
Government Code 3540.2	<p>A school district that has a qualified or negative certification pursuant to Education Code Section 42131 must allow the county office of education at least 10 working days to review and comment on any proposed agreement between the exclusive representatives and the public school employer.</p> <p>The school district must provide the county superintendent with all information relevant to an understanding of the financial impact(s) of the agreement pursuant to Government Code Section 3543.2.</p>

* Minor revisions to some sample items 2/2015 in keeping with implementation of the Local Control Funding Formula

Bargaining Agreement Disclosure

Code Section	Major Provisions of the Code Section
Government Code 3540.2 (continued)	<p>The Superintendent of Public Instruction (SPI) shall develop a format to use in generating the financial information. Most county offices will recommend a format based on the SPI guidance for use by the districts in their county.</p> <p>The county superintendent shall notify the school district, the county board of education, the district superintendent, the governing board of the school district, and each parent and teacher organization of the district within those 10 days if, in their opinion, the agreement would endanger the fiscal well-being of the school district.</p> <p>A county office of education, or a school district for which the county board of education serves as the governing board, that has a qualified or negative certification pursuant to Education Code Section 1240 must allow the SPI at least 10 working days to review and comment on any proposed agreement or contract made between the exclusive representative and the public school employer or designated representative of the employer.</p>
Government Code 3547.5	<p>Before entering into a written agreement with an exclusive representative covering matters within the scope of representation, the public school employer must disclose the major provisions of the agreement, including, but not limited to, the costs that would be incurred by the public school employer under the agreement for the current and subsequent fiscal years at a public meeting in a format prescribed by the SPI or county office of education.</p> <p>The superintendent of the school district and the chief business official must certify in writing that the costs incurred by the school district under the agreement can be met by the district during the term of the agreement.</p> <p>The district must prepare the certification in a format similar to that of the reports required pursuant to Education Code Sections 42130 and 42131 and must itemize any budget revision necessary to meet the costs of the agreement in each year of its term.</p> <p>If the school district does not adopt all of the revisions to its budget needed in the current fiscal year to meet the costs of a collective bargaining agreement, the county superintendent of schools will issue a qualified or negative certification for the district on the next interim report.</p>
Government Code 53260	Establishes a maximum cash settlement that a local agency employer may pay in the event of a contract termination.
Government Code 53261	Prohibits the cash settlement referred to in Government Code 53260 from including other noncash benefits except health benefits.
Government Code 53262	Requires the local agency to ratify contracts for upper level administrators in an open session of the governing board and that this be reflected in the governing body's minutes.

Bargaining Agreement Disclosure

III. IMPLEMENTING THE LEGAL REQUIREMENTS

- A. Government Code Sections 3540.2 and 3547.5 refer to a format for disclosing major collective bargaining agreements.
 - 1. The California Department of Education (CDE) issued Management Advisory 92-01, *Public Disclosure of Collective Bargaining Agreements*, on May 15, 1992. In this advisory, the CDE provided recommendations for procedures and a format that were only advisory.
- B. Sample formats for collective bargaining disclosures and summaries developed by county offices of education are included in the pages following this narrative and meet the intent of the above listed Education Code and Government Code requirements. (Please note: some of the directions included in the samples relating to timelines for submission to the COE and requested backup documentation are specific to local requirements).
 - 1. The collective bargaining disclosure and/or summary should reflect both increases and decreases in salary and benefit costs. During times of reduced state, federal and local revenue sources, districts have had to bargain for reduced work days, furlough days, salary schedule reductions, and/or freezes in step and column advancements for a selected time to ensure fiscal solvency and health and welfare restructure. It is also important to analyze whether these adjustments will provide sufficient savings to continue to maintain fiscal solvency in the current and/or subsequent two fiscal years.
- C. County office staff should annually provide districts with information regarding the above-referenced disclosures, certifications and timelines for submission of data to the county superintendent of schools office within 45 days of adopting a collective bargaining agreement, and provide any revisions to the district's current year budget that are needed as a result of the contract settlement, as well as the consequences of inaction.
 - 1. A sample of an annual bulletin to the districts regarding collective bargaining disclosure requirements under the above-referenced Education Code and Government Code sections is included in the example pages following this narrative.
 - 2. Many COEs include a paragraph reminding districts of this requirement in the budget approval letter or the interim certification approval letter.
- D. Once the county office staff receive the disclosure document and copies of the collective bargaining contract settlement(s), they should review the financial impact on the district immediately by reviewing updated multiyear financial projections, if provided, against current financial ledgers, payroll activity reports/summaries, and any recent interim or budget multiyear projections using currently known budget assumptions to determine the accuracy of the anticipated adjustments in the disclosure documents.

Bargaining Agreement Disclosure

1. County office staff should also review the actual bargaining unit agreement to ensure that all potential costs and/or savings are identified in the disclosure document and updated multiyear projections. Questions should be asked of the district CBO if the financial impact is unclear or if it doesn't identify how the district will continue to maintain fiscal solvency in all years.
 - a. Any time a contract is reopened with an impact on "any area of the existing contract", financial or nonfinancial, a disclosure or "sun-shining" of the proposed agreement must be made. If the only change is nonfinancial and in language only, the disclosure still must be made, however the district may just describe the changes in the appropriate sections and indicate "NA" in the financial sections.
 2. Validate that the district is also correctly addressing any ongoing fiscal impacts, or restoring expenditure costs in subsequent fiscal years if the agreement is limited to one fiscal year, or showing compounding of expenditure costs in subsequent fiscal years if the increase is ongoing.
 3. Validate any potential impacts of restoration language that could be included in the agreement and the basis for restoration of identified salary or benefit reductions.
- E. If county office staff determine that the settlement will adversely affect the district's financial position, they should immediately contact the district's chief business official to discuss the details of the concerns.
1. This could also result in correspondence sent to the district superintendent and governing board expressing the concerns the county office has identified.
- F. In some instances, the county superintendent may need to take action under Education Code Section 42127.6.
1. This code section allows the county superintendent to take action at any time during the fiscal year if the county office determines that a school district may be unable to meet its financial obligations for the current or subsequent two years.
- G. For districts with a qualified or negative interim report certification, the county office staff must review the proposed settlement prior to its ratification and notify the school district, the county board of education, the district superintendent, the governing board of the district, and each parent and teacher organization of the district if, in their opinion, the agreement would endanger the district's fiscal well-being.
- IV.** Many county offices have developed electronic versions of the Public Disclosure of Collective Bargaining Agreements for use by their districts. The examples following are available in Microsoft Excel format on the following COEs' websites:

Example 1 – San Bernardino COE

Example 2 – Orange COE

Example 3 – Humboldt COE

Example 1:

Public Disclosure Letter



August 12, 2011

Bulletin No. 12-011

To: Chief Business Officials & Fiscal Directors (K-12)
San Bernardino County School Districts

Subject: **SUMMARY AND DISCLOSURE OF PROPOSED COLLECTIVE BARGAINING AGREEMENT(S)**

Pursuant to the provisions of Government Code Section 3547.5 and AB1200, updated by AB2756, the following documents are required by our office in order to comply with the Public Disclosure requirements for “sun shining” and making available to the County Office of Education (COE), any updates or changes to collective bargaining unit agreements and/or reopeners, including memorandums of understanding (MOUs). These documents are required to be completed for any and all changes, revisions or new collective bargaining agreements, including reopeners, or MOUs, regardless of financial impact to the district’s current budget. If there are no financial impacts, several sections of the disclosure and summary documents can indicate “Not Applicable or N/A”. Please see the written instructions for completion of the documents. The summary and disclosure documents must be signed by the Chief Business official and Superintendent and copies sent to our office for review, a minimum of ten (10) days prior to final board actions. Districts with qualified or negative budget certifications in the current or prior fiscal year, **MUST** closely adhere to this requirement. Additionally the Public Disclosure document must be available for public review for ten (10) days prior to board action, as part of the posted board agenda. It needs to be clearly identified on the board agenda that there is a public hearing and public input taken, prior to final action on any bargaining unit contract or MOU.

Please submit the following items to our office **no later than 10 days prior to board actions** on any new, revised, or modified bargaining unit agreement, reopener or MOU, regardless of financial or budgetary impact:

1. Proposed Collective Bargaining Agreement Summary and Disclosure Forms (AB 1200/2756). The web site link to these forms is below:
<http://www.sbcss.k12.ca.us/busServe/form/ab1200revisedab2756-revised2011.xls>
 - a. Summary of Proposed Agreement
 - b. Form for Public Disclosure (information is extracted from Summary)

- c. *Forms must be signed by both the Superintendent and the Chief Business Official-initial submission can include a copy of signatures, followed by original signatures after board president certifies.*
2. Copy of Proposed Bargaining Unit Agreement or Memorandum of Agreement (MOU) by Union
3. Copy of General Fund Operating Budget data used in completing Summary Form Section 9 (FCR 290 or Adopted Budget/Interim Financial Report Fund Form 01 Summary Pages)
4. Written Summary of Assumptions used in the Current Year and Multi-year Financial Projections, including but not limited to the following information:
 - a. ADA and Enrollment
 - b. Local Control Funding Formula calculation
 - c. Other Revenue Changes (increases or decreases)
 - d. Staffing Changes (list position increases or decreases and amount)
 - e. All other changes that affect District Financial Projections

Instructions for the completion of these forms are also included on the attached web link and attached for your reference and use. Please ensure that sufficient unrestricted reserves are available each year that meet the state minimum reserve requirements.

The final original public disclosure and summary documents signed by the governing board president should be submitted within five days of final board action. Under Education Code Section 42142, the governing board shall adopt revisions to its budget needed in the current fiscal year to fulfill the terms of the collective bargaining agreement within 45 days of adoption (Government Code 3547.5(c)). Please closely adhere to these requirements.

If you have any questions, please contact your *designated* Business Services Advisor at 909-777-0761
Sincerely,

GARY THOMAS, Ed.D.

County Superintendent of Schools

Signed by

Teri Kelly, Director

Business Advisory Services

Attachments:

Summary and Disclosure of Proposed Collective Bargaining Unit Agreement Instructions:

http://www.sbcss.k12.ca.us/busServe/form/ab1200_ab2756_disclosure_instructions.pdf

Summary and Public Disclosure of Proposed Collective Bargaining Unit agreement-Excel workbook template file

<http://www.sbcss.k12.ca.us/busServe/form/ab1200revisedab2756-revised2011.xls>

j:\bulletin/2011-12/12-011 Disclosure of Proposed Collective Barg Agmts

Example 1:

Public Disclosure Instructions

Summary and Public Disclosure of Proposed Bargaining Unit Agreement(s)

SUMMARY AND DISCLOSURE OF COLLECTIVE BARGAINING UNIT AGREEMENT(S)

Updated August 2011

GENERAL INSTRUCTIONS

- Please make the disclosure document available for public review and submit these summaries and disclosures to the county superintendent of schools (Business Advisory Services Department) prior to the date the governing board will take action on all proposed bargaining agreement(s). Districts with a qualified or negative certification must submit documents to the county office at least 10 working days prior to the date of board action for review and comment. This includes any modifications to existing agreement(s).
- Separate documents must be completed for each collective bargaining agreement, but if more than one agreement is discussed at the same time, you may summarize the financial impact of “all” agreements on page 4 (MULTIYEAR PROJECTIONS), just use Column 2 for the bargaining unit being described in the disclosure and summary and Column 3 for the other bargaining unit agreement so that the projected budget comes out the same on both disclosure documents.
- **First complete THE SUMMARY OF PROPOSED AGREEMENT form and all of the data will link into the FORM FOR PUBLIC DISCLOSURE document.**
- Any time a contract is reopened with an impact on “any area of the existing contract”, financial or non-financial, a disclosure or “sun-shining” of the proposed agreement must be made. If the only change is non-financial and in language only, you can just describe in the appropriate sections and put NA in the financial sections.
- The specific manner in which the public is made aware of the proposed agreement and its availability for public inspection and review is at the discretion of the local district, however this standard disclosure document should be utilized and be available for public review.
- The governing board shall adopt revisions to its budget needed in the current fiscal year to fulfill the terms of the collective bargaining agreement within 45 days of adoption (EC § 42142). Provide a copy of the board-approved budget minutes to the county office with a copy of the posted budget transfer documents if your district has been authorized to post all budget adjustments, if not authorized, send the budget transfer batches to the county office for posting.
- All revisions to the budget needed in the current fiscal year to meet the terms of all approved collective bargaining agreements shall be adopted **no later than the statutory deadline** for certification of the next interim financial report by the county superintendent of schools (GC § 3547.5, EC § 42131) or the county superintendent is required to certify the interim report as Negative or Qualified pending the posting of the required adjustments.

SPECIFIC INSTRUCTIONS FOR COMPLETION

SUMMARY OF PROPOSED AGREEMENT (SUMMARY TAB IN EXCEL WORKBOOK)

IN TOP HEADING SECTION:

ENTER the following

- **District Name;**
- **Name of Bargaining Unit;**
- **Date of Governing Board meeting** to review/approve proposed agreement.

The form will use the Governing Board meeting date and automatically calculate the maximum 45 calendar days after Board approval date. This is the deadline date for districts to INPUT budget revisions to the financial system to implement the terms of the proposed agreements. Districts must INPUT revisions within 45 days or prior to any interim report submission deadline dates. The district should submit copies of the BT batches posted to implement the agreement to the County Office of Education (COE).

GENERAL:

Section 1: STATUS OF BARGAINING UNIT AGREEMENTS

- a. Indicate name of Bargaining Unit Representation and # of FTE members affected.
- b. Use separate form for each distinct bargaining unit representation.
- c. Attach a copy of the Revised/Proposed Bargaining Unit Agreement or MOU agreement so that the COE can view all details of the agreement. If there is a summary of changes, also submit that document.

Section 2: PERIOD OF AGREEMENT

- a. Indicate the beginning and ending date of the agreement, generally 7/1 – 6/30 but include all years covered. The cell is formatted to input as MM/DD/YY
- b. If the agreement **includes** reopeners in following fiscal years, indicate what years and for what specific items, i.e.: salaries, health benefits, etc.

COMPENSATION PROVISIONS:

Section 3: PERCENTAGE CHANGE IN SALARIES IN PROPOSED AGREEMENT

- a. Current Year Salary Cost Before Settlement: Enter the total annual cost of all salaries for the bargaining unit prior to the proposed agreement. Remove any “one-time” bonuses or payments that were paid in prior year, if applicable.
- b. Current Year Proposed Salary Cost After Settlement: Enter the total annual cost of all salaries for the bargaining unit after the proposed agreement. Include the costs associated with step and column increases; Other one time adjustments and any retroactive salary costs or savings.
- c. Total Cost Increase or (Decrease) and Percentage Changes: These lines will compute based on amounts input in previous lines.

SALARY CHANGE FOR AN AVERAGE-REPRESENTED EMPLOYEE FROM PRIOR YEAR

- d. Salary Increase or (Decrease)-
 - a. Indicate the average % increase or (decrease) to the existing salary schedules being provided in the proposed agreement.
 - b. Indicate average % increase or (decrease) for any one time only stipend/bonus or salary reduction provided in the proposed agreement.
- e. Step & column-Indicate the average % change over the prior year for step and column advancements per employee.
- f. Total % Increase for Average Represented Employee-Total salary increase % and step/column average increase %, this line will compute based on data input in previous lines.
- g. List number of furlough days implemented as a result of this agreement.
- h. List number of instructional days included in current fiscal year AFTER implementation of this agreement, as applicable (applies mostly to Certificated agreements)

Section 4: BENEFITS PERCENTAGE CHANGE IN EMPLOYEE BENEFITS

Statutory Benefits

- a. Current Cost Before Proposed Agreement: Enter the total prior year cost of *Statutory Benefits* of the bargaining unit prior to the proposed agreement. If applicable, exclude any “one-time” benefit costs that would not carry over to current year.
- b. Proposed Costs After Agreement: Enter the total annual cost of Statutory Benefits of the bargaining unit after the proposed agreement. Include the benefits associated with step and column changes and any retroactive or one time reductions in salaries.
- c. Total Cost Increase or (Decrease)/Percentage Change: These lines will compute based on amounts input in previous lines.

District Health/Welfare Benefit Plans

- a. Current Cost Before Proposed Agreement: Enter the total annual cost of Health/Welfare Benefits of the bargaining unit prior to the proposed agreement. If applicable, exclude any “one-time” costs that would not carry over to current year.
- b. Proposed Costs After Agreement: Enter the total annual cost of Health/Welfare Benefits of the bargaining unit after the proposed agreement. Include the benefits associated with step and column increases or decreases and any retroactive or one time reductions in salaries, if applicable (generally not tied to these salary areas).
- c. Total Cost Increase or (Decrease)/Percentage Change: These lines will compute based on amounts input in previous lines.

Health/Welfare Capped Benefit Rates

- a. Describe any details such as different caps per health plans or composite rates and if cap is on just health benefits or other insurances such as Dental, Life, etc. or if prorated for less than full time FTE.
- b. Enter Current H/W or Health Benefit Cap per Full Time FTE (indicate if provide to less than Full Time FTE or if prorated)
- c. Enter Proposed H/W or Health Benefit Cap per Full Time FTE (indicate if provide to less than Full Time FTE or if prorated)
- d. Formulas will calculate the Proposed average increase or (decrease) in Capped costs and % change.

TOTAL COST OR (SAVINGS) OF COMPENSATION CHANGES

Section 5: TOTAL COST INCREASE OR (DECREASE) FOR SALARIES AND EMPLOYEE BENEFITS IN PROPOSED AGREEMENT

- a. Current Year Cost **Before** Settlement: These lines will pull from previous Sections 3 & 4.
- b. Current Year Cost **After** Settlement: These lines will pull from previous Sections 3 & 4
- c. Total Cost Increase or (Decrease): This line will take the difference between the Current Year Cost Before Settlement and the Current Year Costs After Settlement
- d. Percentage Change: Will calculate automatically
- e. Cost of 1% Change: Will calculate automatically based on Current Costs Before Settlement indicated in previous sections (excluding H/W costs as these are not generally tied directly to salary amounts).

OTHER PROVISIONS (COMPENSATION AND NON-COMPENSATION)

Section 6: OTHER PROVISIONS (COMPENSATION AND NON-COMPENSATION)

- a. Other Compensation: Enter narrative of any other compensation included in proposed agreement such as off-schedule one-time stipends, bonuses, salary reductions, etc.. Be specific as to total cost or savings and employees affected.
- b. Non-Compensation: Enter narrative of any other non-compensation adjustments in proposed agreement such as class size adjustments, staff development days, prep days etc. Be specific as to employees affected and affect on instructional or support programs. Include before and after class sizes and grades levels (indicate if CDE Waiver applied for and include copy)
- c. Contingency and/or Restoration Language: Enter narrative of any specific areas for reopeners in current or subsequent fiscal years if multiyear agreement and any other specific contingency and/or restoration language.

Section 7: STATE MINIMUM RESERVE STANDARD CALCULATION

- a. Total Expenditures and Other Uses: This line will pick up expenditures listed in following multiyear projections, Section 9.
- b. Minimum State Reserve Percentage: Enter the state reserve % for your specific sized district, generally 3%
- c. Minimum State Reserve Requirement: This line will calculate the minimum state reserve amount to maintain for your size district.

FISCAL IMPACT IN CURRENT AND TWO SUBSEQUENT FISCAL YEARS

Section 8: DATE OF GOVERNING BOARD APPROVAL OF BUDGET REVISIONS

- a. Enter date and Batch #s of Governing Board Approval of Budget Revisions. Budget revisions need to be INPUT to the financial system within 45 days of approval and prior to next Interim Financial Report submission or COE is required to certify as Qualified or Negative Certification.

Section 9: IMPACT OF PROPOSED AGREEMENT ON GENERAL FUND BUDGET IN CURRENT AND TWO SUBSEQUENT FISCAL YEARS

- a. **Column 1**, enter latest Board Approved Operating Budget (i.e. from Adopted Budget, 45 day revision, 1st Interim, 2nd Interim or if take budget revisions monthly to board, most recent Operating budget currently in Financial system). Please provide our office with a FCR printout recognizing the current operating budget being utilized for this disclosure.
- b. **Column 2**, enter Budget Adjustments/Revisions to be made in order to implement all terms of this proposed agreement. List any savings or reductions as negative amounts using “-“ or (#).
 - a. If these amounts differ from the amounts listed in Section 5 Total Costs, please identify in the narrative section at the bottom of the chart.
 - b. The district must indicate whether the funding for the agreement is coming out of assigned or committed reserves, the unappropriated/unassigned reserves or by additional revenues (i.e. increase in ADA increasing state aid revenues, etc.)
 - c. If agreement includes reductions in total costs, indicate if savings used to meet state minimum reserves by including offsetting increase on appropriate reserve lines.
- c. **Column 3**, enter any other Budget Adjustments/Revisions pending that may affect the ability of the district to meet the minimum reserve requirements with the implementation of this agreement. List any savings or reductions as negative amounts using “-“ or (#).
 - a. If the district is approving multiple agreements, the costs of any other pending settlement should also be included in this column.

Summary and Public Disclosure of Proposed Bargaining Unit Agreement(s)

- b. The district must indicate whether the funding for the agreement is coming out of restricted, committed and/or assigned reserves, the unappropriated/unassigned reserves or by additional revenues (i.e. increase in ADA increasing state aid revenues, etc.)
- c. If other adjustments includes reductions in total costs, indicate if savings used to meet state minimum reserves by including offsetting increase on appropriate reserve line or other appropriate reserve lines.
- d. **Column 4**, this column includes formulas that take the current operating budget listed and deducting or increasing columns 2 and 3 to determine Proposed District Budget after settlements and other adjustments are included.
- e. Under Components of Above EFB:
 - a. The form will calculate whether or not the district is meeting the minimum state reserve standard % by indicating OK or Not Balanced.
 - b. If not meeting minimum reserves, please explain rationale for why district is not meeting reserves and fiscal action plan to remedy.
 - i. Districts not meeting reserves and contemplating approving additional salary agreements will trigger additional County intervention.
- f. **For the two subsequent fiscal years**, the district should be utilizing the most current board approved multiyear projections for Column 1 and the ongoing affect of any increases or savings in Column 2 or if agreement is only for one fiscal year. Column 3 is used to report any additional bargaining unit agreement results or other increases or reductions that have been board approved to be implemented in that fiscal year.
 - a. Include a copy of the district's most current Fiscal Action Plan showing details of any anticipated expenditure reductions or revenue increases to support the agreement in the two subsequent fiscal years.
 - b. The form will pick up the previous years ending fund balance as the beginning fund balance for this subsequent period in Column 1.
- g. The first line of each fiscal year is to enter the Revenue Limit ADA being utilized for funding purposes. Also include a revised Form RL calculation if the ADA reported has changed from the previous state reporting cycle ie. Adopted Budget, 1st Interim, 2nd Interim. And revised Form A showing ADA details.
- h. Districts should use the lines at the bottom of each projection year to indicate any assumptions used for reduction or increases in staffing, revenue adjustments for COLAS, etc.
- i. Districts may use an alternative MYP format, if approved by the SBCSS Business Services Advisor **prior to** submission, however the alternative form must reflect the budgets before and after the proposed agreement in this same level of detail at a minimum.

Section 10: MULTI-YEAR CONTRACT AGREEMENT PROVISIONS

- a. Input narrative of any provisions in the proposed agreements related to COLAs used and other compensation/non-compensation provisions for the current and/or subsequent fiscal years.
- b. All text entered on lines provided will pull into the public disclosure summary. Do not add extra lines or it will throw off the links to the disclosure summary. If more space is needed, increase row height in both documents.

Section 11: IMPACT OF PROPOSED AGREEMENT IN SUBSEQUENT FISCAL YEARS

- a. Input narrative listing assumptions used to determine that resources would be available to fund these obligations in the future fiscal years. (i.e. Revenue Limit Cola, staffing reductions due to declining ADA, etc.)
- b. All text entered on lines provided will pull into the public disclosure summary. Do not add extra lines or it will throw off the links to the disclosure summary. If more space is needed, increase row height in both documents

Section 12: NARRATIVE OF AGREEMENT

- a. Input narrative of all proposed changes in compensation or health premiums; include effective dates of changes and any other comments or explanations.
- b. All text entered on lines provided will pull into the public disclosure summary. Do not add extra lines or it will throw off the links to the disclosure summary. If more space is needed, increase row height in both documents

Section 13: SOURCE OF FUNDING FOR PROPOSED AGREEMENT

- a. Input narrative listing the sources of funding available to cover the costs of the proposed agreement in the current fiscal year. (i.e. Revenue Limit COLA, staffing reductions, staffing ratio changes, Categorical COLAs, etc.)
- b. All text entered on lines provided will pull into the public disclosure summary. Do not add extra lines or it will throw off the links to the disclosure summary. If more space is needed, increase row height in both documents

Summary and Public Disclosure of Proposed Bargaining Unit Agreement(s)

ADDITIONAL FISCAL INDICATORS – CRITERIA AND STANDARD A.5.

Section 14: COMPARISON OF PROPOSED AGREEMENT TO CHANGE IN DISTRICT BASE REVENUE LIMIT AND CHANGE IN ADA

- a. Input current year base revenue limit rate per ADA after any inflation factor changes, BUT prior to the add-on for BTS or Meals for Needy Pupils (CY Form RL Lines 1 plus 2 only)
- b. Input prior year base revenue limit rate per ADA (PY Form RL Line 1 plus 2 only)
- c. This line will calculate automatically providing revenue limit increase per ADA
- d. This line will calculate automatically providing the % increase or decrease in revenue limit per ADA
- e. Input Current Year P-2 RL Funded ADA and Prior Year P-2 RL Funded ADA. Formula will calculate % increase or decrease from prior year for funded ADA.
- f. This line will add the % change in CY BRL and CY ADA from Prior Year together.
- g. This line will pull the % change for the total salaries or benefits.
- h. The district must provide an explanation of any proposed increases in salaries and benefits in excess of the % change in revenue limit per ADA funding and ADA changes combined. This could be due to one time off salary schedule changes.

REQUIRED SIGNED CERTIFICATION:

The certification section must be signed by BOTH the District Superintendent and Chief Business Official, prior to any action by the Governing Board, certifying that the costs incurred or savings generated by the district under the proposed agreement can be met by the district during the term of the agreement. These signatures must be present when submitting a copy of this document to the SBCSS *prior to* the board taking action to approve or deny the agreement terms.

PLEASE SUBMIT THIS SUMMARY FORM INCLUDING COPIES OF ALL PROPOSED BARGAINING UNIT AGREEMENTS TO OUR OFFICE NO LATER THAN 10 DAYS PRIOR TO THE BOARD TAKING FINAL ACTIONS.

After the board takes action, the Board President must sign the original certification indicating the governing board approval date and the signed certification along with written certification that all budget revisions have been input into the financial system within 45 days of the board approval date or by the next Interim Financial Report submission date whichever is earlier.

FORM FOR PUBLIC DISCLOSURE OF PROPOSED COLLECTIVE BARGAINING DISCLOSURE (DISCLOSURE TAB IN EXCEL WORKBOOK)

All data previously input into the Summary of Proposed Agreement form/tab is linked to pull into this Public Disclosure form. Please carefully review the data pulled over into this disclosure document for accuracy and completeness PRIOR to finalizing. If you want specific details to be available only to the COE, please use the narrative sections in the MYP to indicate those additional details.

This document can be used for the Public Disclosure format to be made available within 10 days of the final board action and/or discussion regarding the terms of any proposed bargaining unit agreement. All bargaining unit agreements must be sun-shined at a public meeting and any changes/revisions, even if non-financial related must be disclosed and reported.

PLEASE **DO NOT FAX** THESE FORMS TO OUR OFFICE, AS THE SHADED AREAS ARE NOT READABLE. ALL DOCUMENTS MUST BE RECEIVED IN OUR OFFICES NO LATER THAN 10 DAYS PRIOR TO THE BOARD HEARING DATE.

DISTRICTS WITH CURRENT QUALIFIED OR NEGATIVE CERTIFICATION, MUST ADHERE CLOSELY TO THESE TIMELINES.

Any questions regarding completion of these documents should be addressed to the SBCSS Business Services Advisor for your district. Business Services Advisors can be reached by calling: (909) 777-0761.

Example 1

Public Disclosure Forms

FOR SUBMISSION TO THE GOVERNING BOARD AND THE COUNTY SUPERINTENDENT OF SCHOOLS in compliance with the Public Disclosure requirements of AB1200 (Statutes 1991, Chapter 1213) as revised by AB 2756 (Statutes of 2004, Chapter 25), Government Code 3547.5.

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE SCHOOL DISTRICT

WITH THE BARGAINING UNIT (BU)

To be acted upon by the Governing Board at its meeting on : enter date mm/dd/yy
 Budget Revisions to be INPUT no later than 45 days after approval: *(will calc + 45 days)* #VALUE!

GENERAL

Section 1: STATUS OF BARGAINING UNIT AGREEMENTS

(This document is required at any time all or even part of an agreement is ratified or modified)

If this Public Disclosure is not applicable to all of the District's bargaining units, indicate the current status (whether settled or pending settlement) of the remaining units:

(separate disclosures should be made for each bargaining unit agreement)

	# FTE Represented
Certificated: <input type="text" value="Enter Name of BU"/>	<input type="text" value="0"/>
Classified: <input type="text" value="Enter Name of BU"/>	<input type="text" value="0"/>

Section 2: PERIOD OF AGREEMENT

The proposed agreement covers the period beginning on: enter date mm/dd/yy
 and ending on: enter date mm/dd/yy

If this agreement is part of a multi-year contract, indicate ALL fiscal years covered:

Fiscal Years:			
Reopeners: Yes or NO ?			
if Yes, What Areas?			

COMPENSATION PROVISIONS

Section 3: SALARIES: PERCENTAGE CHANGE IN SALARIES IN PROPOSED AGREEMENT:

The proposed agreement includes the following costs for salaries for the above mentioned Bargaining unit:

Current-Year Salary Cost Before Settlement <i>(Based on Year to Date (YTD) Actuals Projected through 6/30):</i>	\$ <input type="text" value="-"/>
Current-Year Salary Cost After Settlement <i>(Include any retroactive pay increases or (decreases) or one time bonuses/stipends or (reductions), as applicable):</i>	\$ <input type="text" value="-"/>
Total Cost Increase or (Decrease):	\$0.00
Percentage Increase or (Decrease):	#DIV/0!

SALARY CHANGE FOR AN AVERAGE-REPRESENTED EMPLOYEE FROM PRIOR YEAR

(Includes annual step/column movement on schedule):

Salary Increase or (Decrease)

% increase or (decrease) to existing schedule per employee

% increase or (decrease) for one time only bonus/stipend or (salary reduction) per employee

Step & column

average % annual change over the prior-year schedule per employee

TOTAL PERCENTAGE CHANGE FOR AVERAGE REPRESENTED EMPLOYEE per employee

Indicate # of Furlough/Non-Work Days associated with any Percentage Change:	<input type="text" value="0.00"/>
Indicate Total # of Instructional Days to be provided for Fiscal Year:	<input type="text" value="0.00"/>

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

Section 4: BENEFITS: PERCENTAGE CHANGE IN EMPLOYEE BENEFITS IN PROPOSED AGREEMENT:

The proposed agreement includes the following costs for employee statutory and health/welfare benefits:

Statutory benefits: *(Object 3XXX less 34XX)*

(STRS, PERS, Workers Compensation, Unemployment Insurance, Social Security, Medicare)

Total Statutory Benefit Costs:

Current Costs:

\$ -

Proposed Costs:

\$ -

Total Cost Increase or (decrease):

\$0.00

Percentage Change:

#DIV/0!

District Health/Welfare Plans-*Object 34XX* (Medical, Dental, Vision, Life Insurance, Other)

Total Health and Welfare Costs:

Current Costs:

Proposed Costs:

\$ -

Total Cost Increase or (decrease):

\$0.00

Percentage Change:

#DIV/0!

Please indicate if Health/Welfare Benefit is Capped :

(Indicate any details such as different caps per health plans or any super composite rates. Also indicate if cap includes health benefit only or also other insurances)

Current Cap:	\$ -	
Proposed Cap:	\$ -	
Average Capped Amount increase or (decrease) per employee FTE	\$0.00	#DIV/0!

TOTAL COST OR (SAVINGS) OF COMPENSATION CHANGES (REGARDLESS OF WHETHER PREVIOUSLY BUDGETED IN WHOLE OR IN PART)

Section 5: The "total cost increase or (decrease)" for salaries and employee benefits in the proposed agreement.

Current Year Combined Cost Before Settlement: *(data pulls from above)*

(Based on YTD Actuals Projected through 6/30 based on current agreement)

Salaries

\$ -

Benefits

\$ -

Total:

\$ -

Current Year Cost After Settlement: *(data pulls from above)*

(Include any retroactive pay increases or (decreases) or one time bonuses/stipends or (reductions), as applicable):

Salaries

\$ -

Benefits

\$ -

Total:

\$ -

TOTAL COST INCREASE OR (DECREASE)

\$0.00

(This amount should tie to the multiyear projection sections for 1XXX-3XXX)

PERCENTAGE CHANGE

#DIV/0!

1% CHANGE IN SALARY AND STATUTORY BENEFIT COSTS (prior to any settlements):

#DIV/0!

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

OTHER PROVISIONS (COMPENSATION AND NON-COMPENSATION)

Section 6: The following are additional compensation and non-compensation provisions contained in the proposed agreement: *(Please indicate, in detail, the terms of the agreement covered in each section)*

A. OTHER COMPENSATION: Off-Schedule Stipends/Bonuses, Reductions, etc.(Amts, staff affected, total cost and/or savings)

B. NON-COMPENSATION: Class Size Changes (indicate before and after class sizes/Grades affected; and if CDE waiver (attach copy) applied for), Staff Development Days, Teacher Prep Time,etc. Be specific.

C. CONTINGENCY AND/OR RESTORATION LANGUAGE: Include specific areas identified for reopeners and specific Contingency and/or Restoration language (submit details to COE, including when would occur)

Section 7: State Minimum Reserve Standard Calculation:

Total Expenditures and Other Uses: *(pulls from MYP Sec. 9)*

Minimum State Reserve Percentage **(input %)**

Minimum State Reserve Requirement: *(formula included Total Exp/Uses x Minimum Reserve %)*

\$	-
	3%
\$	-

FISCAL IMPACT IN CURRENT AND TWO SUBSEQUENT FISCAL YEARS

Section 8: Date of governing board approval of budget revisions in Section 9, Col.2 (below) in accordance with E.C. 42142 and Government Code 3547.5: (pulls from above Governing Board Date plus 45 days)

#VALUE!

Provide proof that board-approved budget revisions have been input within 45 days. Date budget revisions input/BT Batch #'s:

Batch #'s:	mm/dd/yy
------------	----------

If the board-approved revisions input are different from the proposed budget adjustments in Col. 2 provide a detailed explanation of differences.

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

Section 9: IMPACT OF PROPOSED AGREEMENT ON THE GENERAL FUND BUDGET IN CURRENT YEAR AND TWO SUBSEQUENT FISCAL YEARS. (Reflect both Unrestricted and Restricted General Fund Budget Amounts)

In-Lieu of this form, an updated Form MYP can be supplied which includes the results of the settlement over any previous Form MYP filed with this office.

		Current Fiscal Year 200_-200_			
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
Please NOTE: The title reflected in Col. 1 can be modified if the agreement is being approved along with the Adopted Budget Process. In this case, Col. 4 should reflect the Adopted Budget including the salary agreement and Col. 1 would reflect the Adopted Budget less Col. 2, the actual cost of the agreement.		Latest Board- Approved Budget Before Settlement - As of _____ (enter date)	Adjustments as a Direct Result of this Proposed Settlement	Other Revisions (Including Other Proposed BU Agreements) Required to support cost of agreement	Projected District Budget After Settlement of Agreement (Cols. 1 + 2 + 3)
OPERATING REVENUES:	RL ADA	ADA=			ADA=
Revenue Limit Sources (8010-8099)		0.00	0.00	0.00	0.00
Remaining Revenues (8100-8799)		0.00	0.00	0.00	0.00
TOTAL		0.00	0.00	0.00	0.00
OPERATING EXPENDITURES					
1000 Certificated Salaries		0.00	0.00	0.00	0.00
2000 Classified Salaries		0.00	0.00	0.00	0.00
3000 Benefits		0.00	0.00	0.00	0.00
4000 Instructional Supplies		0.00	0.00	0.00	0.00
5000 Contracted Services		0.00	0.00	0.00	0.00
6000 Capital Outlay		0.00	0.00	0.00	0.00
7000 Other		0.00	0.00	0.00	0.00
TOTAL		0.00	0.00	0.00	0.00
OPERATING SURPLUS (DEFICIT)		0.00	0.00	0.00	0.00
Other Sources and Transfers In		0.00	0.00	0.00	0.00
Other Uses and Transfers Out		0.00	0.00	0.00	0.00
CURRENT YEAR INCREASE (DECREASE) TO FUND BALANCE		0.00	0.00	0.00	0.00
BEGINNING FUND BALANCE (9791)		0.00			0.00
Prior-Year Adjustments (9792-9795)		0.00		0.00	0.00
NET BEGINNING BALANCE		0.00	0.00	0.00	0.00
ENDING FUND BALANCE (EFB)		0.00	0.00	0.00	0.00
COMPONENTS OF ABOVE EFB:					
Nonspendable (9711-9719)		0.00	0.00	0.00	0.00
Restricted (9740)		0.00	0.00	0.00	
Committed (9750/9760)		0.00	0.00	0.00	0.00
Assigned (9780)		0.00	0.00	0.00	0.00
Reserve Economic Uncertainties (9789)		0.00	0.00	0.00	0.00
Unassigned/Unappropriated (9790)		0.00	0.00	0.00	0.00
State Minimum Reserves %		#DIV/0!		#DIV/0!	#DIV/0!
Are budgets in balance?		In Balance			In Agreement
Did you adjust reserves? s/b \$0		\$0.00		OK	\$0.00
FUND 17 RESERVES (9789) \$ or N/A		\$ -			\$ -

If the total amount of the adjustment in Column 2 does not agree with the amount of the total cost shown in Section 5, Total Costs, please explain. Also list any other assumptions used or included in Col. 3:

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

		First Subsequent Year 200 - 200			
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
		Latest Board- Approved Budget Before Settlement - As of _____ (enter date)	Adjustments as a Direct Result of this Proposed Settlement	Other Revisions (Include all adjustments needed to support ongoing costs of agreement)	Projected District MYP After Settlement of Agreement (Cols. 1 + 2 + 3)
OPERATING REVENUES:	RL ADA	ADA=			ADA=
Revenue Limit Sources	(8010-8099)	0.00	0.00	0.00	0.00
Remaining Revenues	(8100-8799)	0.00	0.00	0.00	0.00
	TOTAL	0.00	0.00	0.00	0.00
OPERATING EXPENDITURES					
1000 Certificated Salaries		0.00	0.00	0.00	0.00
2000 Classified Salaries		0.00	0.00	0.00	0.00
3000 Benefits		0.00	0.00	0.00	0.00
4000 Instructional Supplies		0.00	0.00	0.00	0.00
5000 Contracted Services		0.00	0.00	0.00	0.00
6000 Capital Outlay		0.00	0.00	0.00	0.00
7000 Other		0.00	0.00	0.00	0.00
	TOTAL	0.00	0.00	0.00	0.00
OPERATING SURPLUS (DEFICIT)					
		0.00	0.00	0.00	0.00
Other Sources and Transfers In		0.00	0.00	0.00	0.00
Other Uses and Transfers Out		0.00	0.00	0.00	0.00
CURRENT YEAR INCREASE (DECREASE) TO FUND BALANCE		0.00	0.00	0.00	0.00
BEGINNING FUND BALANCE (9791)					
<i>pulls from prior year EFB</i>		0.00			0.00
Prior-Year Adjustments (9792-9795)		0.00			0.00
NET BEGINNING BALANCE		0.00	0.00	0.00	0.00
ENDING FUND BALANCE (EFB)					
		0.00	0.00	0.00	0.00
COMPONENTS OF ABOVE EFB:					
Nonspendable (9711-9719)		0.00	0.00	0.00	0.00
Restricted (9740)		0.00	0.00	0.00	0.00
Committed (9750/9760)		0.00	0.00	0.00	
Assigned (9780)		0.00	0.00	0.00	0.00
Reserve Economic Uncertainties		0.00	0.00	0.00	0.00
Unassigned/Unappropriated (9790)		0.00	0.00	0.00	0.00
State Minimum Reserves %		#DIV/0!	#DIV/0!		#DIV/0!
Are budgets in balance?		In Balance			In Balance
Did you adjust reserves? s/b \$0		\$ -	OK		\$ -
FUND 17 RESERVES (9789) \$ or N/A		\$ -			\$ -
Assumptions used (RL COLA, Other Revenue COLAs, Addi/Reduced staffing, etc), EXPLAIN:					

Assumptions used (RL COLA, Other Revenue COLAs, Addl/Reduced staffing, etc), EXPLAIN:

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

Second Subsequent Year 20__ - 20__			
(Col. 1)	(Col. 2)	(Col. 3)	
Latest Board- Approved Budget Before Settlement - As of _____ (enter date)	Adjustments as a Direct Result of this Proposed Settlement	Other Revisions (Include all adjustments needed to support ongoing costs of agreement)	Projected District MYP After Settlement of Agreement (Cols. 1 + 2 + 3)
OPERATING REVENUES: RL ADA ADA=			ADA=
Revenue Limit Sources (8010-8099)	0.00	0.00	0.00
Remaining Revenues (8100-8799)	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00

OPERATING EXPENDITURES

1000 Certificated Salaries	0.00	0.00	0.00	0.00
2000 Classified Salaries	0.00	0.00	0.00	0.00
3000 Benefits	0.00	0.00	0.00	0.00
4000 Instructional Supplies	0.00	0.00	0.00	0.00
5000 Contracted Services	0.00	0.00	0.00	0.00
6000 Capital Outlay	0.00	0.00	0.00	0.00
7000 Other	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00

OPERATING SURPLUS (DEFICIT)

	0.00	0.00	0.00	0.00
--	------	------	------	------

Other Sources and Transfers In	0.00	0.00	0.00	0.00
Other Uses and Transfers Out	0.00	0.00	0.00	0.00

CURRENT YEAR INCREASE

(DECREASE) TO FUND BALANCE	0.00	0.00	0.00	0.00
----------------------------	------	------	------	------

BEGINNING FUND BALANCE (9791)

pulls from prior year EFB

Prior-Year Adjustments (9792-9795)	0.00			0.00
------------------------------------	------	--	--	------

NET BEGINNING BALANCE	0.00	0.00	0.00	0.00
------------------------------	-------------	-------------	-------------	-------------

ENDING FUND BALANCE (EFB)

	0.00	0.00	0.00	0.00
--	------	------	------	------

COMPONENTS OF ABOVE EFB:

(use whole rounded numbers only)

Nonspendable (9711-9719)	0.00			0.00
Restricted (9740)	0.00			0.00
Committed (9750/9760)	0.00			0.00
Assigned (9780)	0.00			0.00
Reserve Economic Uncertainties	0.00	0.00	0.00	0.00
Unassigned/Unappropriated (9790)	0.00	0.00	0.00	0.00
State Minimum Reserves %	#DIV/0!		#DIV/0!	#DIV/0!
Are budgets in balance?	In Balance			In Balance
Did you adjust reserves? s/b \$0	\$0.00		OK	\$0.00
FUND 17 RESERVES (9789) \$ or N/A	\$ -			\$ -

Assumptions used (RL COLA, Other Revenue COLAs, Addl staffing, etc). EXPLAIN:

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

Section 10: MULTI-YEAR CONTRACT AGREEMENT PROVISIONS: The proposed agreement contains the following COLAs and other compensation/non-compensation provisions for subsequent years as follows : Submit copies of all provisions to COE. (text pulls into disclosure)

Section 11: FINANCIAL IMPACT OF PROPOSED AGREEMENT IN SUBSEQUENT FISCAL YEARS: The following assumptions were used used to determine that resources will be available to fund these obligations in future fiscal years (including any compensation/noncompensation provisions specified below that have been agreed upon if the proposed agreement is part of a multi-year contract): (text pulls into disclosure)

Section 12: NARRATIVE OF AGREEMENT: Provide a brief narrative of the proposed changes in compensation or health premiums, including percentage changes, effective dates, and comments and/or explanations. (Text pulls into disclosure)

Section 13: SOURCE OF FUNDING FOR PROPOSED AGREEMENT: Provide a brief narrative of the funds available in the current year to provide for the costs of this agreement. (Pulls into disclosure):

SUMMARY OF PROPOSED AGREEMENT

BETWEEN THE

Enter District Name

SCHOOL DISTRICT

ADDITIONAL FISCAL INDICATORS- CRITERIA AND STANDARDS A.5.

This section is in response to the Criteria and Standards Additional Fiscal Indicators #A.5. which asks: Has the district entered into a bargaining agreement where any of the budget or subsequent years of the agreement would result in salary increases that are expected to exceed the projected state cost of living adjustment.

Section 14:

COMPARISON OF PROPOSED AGREEMENT TO CHANGE IN DISTRICT BASE REVENUE LIMIT (BRL)

(a) Current-year (CY) Base Revenue Limit Rate per ADA:	Estimated
(CY Form RL, Line 1 plus Line 2 (inflation factor) x Estimated Deficit Factor) (do not include BTS/Meals for Needy Add-on Rate)	\$0.00
(b) Less Prior-Year (PY) Base Revenue Limit Rate per ADA:	
(PY Form RL, Line 1 plus 2 x Actual Deficit Factor)	\$0.00
(c) = Amount of Current-Year Increase or (decrease):	
(a) minus (b)	0.00
(d) = Percentage Increase or (decrease) in BRL per ADA:	
(c) divided by (b)	#DIV/0!
(e) ADA Increase/(Decrease) from Prior Year as %	#DIV/0!
Current year P-2 RL ADA	0.00
Prior Year P-2 RL ADA	0.00
(f) Total revenue limit % increase or (decrease) plus ADA % change	#DIV/0!
(g) Indicate Total Settlement Percentage Change from Section 5	#DIV/0!

If proposed agreement % on Line g is greater than Line f, please provide explanation: _____

CERTIFICATION

To be signed by the District Superintendent AND Chief Business Official upon submission to the Governing Board and by the Board President upon formal Board action on the proposed agreement.

Signatures of District Superintendent and Chief Business Official must accompany copy of summary disclosure sent to the County Superintendent for Review 10 days prior to board meeting ratifying agreement.

The information provided in this document summarizes the financial implications of the proposed agreement and is submitted to the Governing Board for public disclosure of the major provisions of the agreement (as provided in the "Public Disclosure of Proposed Collective Bargaining Agreement") in accordance with the requirements of AB-1200, AB-2756 and GC 3547.5.

We hereby certify that the costs incurred by the school district under this agreement can be met by the district during the term of the agreement.

District Superintendent
(signature)

Date

Chief Business Official
(signature)

Date

After public disclosure of the major provisions contained in this Summary, the Governing Board, at its meeting on
enter date mm/dd/yy

the _____ took action to approve the proposed Agreement with
Enter Name of BU Bargaining Unit.

President, Governing Board
(signature)

Date

**FORM FOR PUBLIC DISCLOSURE
OF PROPOSED COLLECTIVE BARGAINING AGREEMENT
(AB1200 (Statutes of 1991, Chapter 1213) as revised by AB 2756
(Statutes of 2004, Chapter 25), Government Code 3547.5.)**

Enter District Name

SCHOOL DISTRICT

Government Code Section 3547.5: **Before** a public school employer enters into a written agreement with an exclusive representative covering matters within the scope of representation, the major provisions of the agreement including but not limited to, the costs that would be incurred by the public school employer under the agreement for the current and subsequent fiscal years, shall be disclosed at a public meeting of the public school employer.

Intent of Legislation: To ensure that members of the public are informed of the major provisions of a collective bargaining agreement before it becomes binding on the school district.

(This information is pulled from the SUMMARY section of this file which should be completed FIRST)

MAJOR PROVISIONS OF PROPOSED AGREEMENT

WITH THE

Enter Name of BU

BARGAINING UNIT

To be acted upon by the Governing Board at its meeting on

enter date mm/dd/yy

A. PERIOD OF AGREEMENT:

The proposed bargaining agreement covers the period beginning
and ending
for the following fiscal years

enter date mm/dd/yy
enter date mm/dd/yy

B. TOTAL COST CHANGE TO IMPLEMENT PROPOSED AGREEMENT (SALARIES & BENEFITS)

The total change in costs for salaries and employee benefits in the proposed agreement:

1. Current-Year Costs Before Agreement

2. Current-Year Costs After Agreement

3. Total Cost Change

4. Percentage Change

5. Value of 1 % Change

#DIV/0!

#DIV/0!

C. PERCENTAGE SALARY CHANGE FOR AVERAGE REPRESENTED EMPLOYEE

The total percentage change in salary, including annual step and column movement on the salary schedule (as applicable), for the average represented employee under this proposed agreement:

1. Salary Schedule change
(% Change To Existing Salary Schedule)
(% change for one time only bonus/stipend or salary reduction)

2. Step & Column
(Average % Change Over Prior-Year Salary Schedule)

3. TOTAL PERCENTAGE CHANGE FOR THE
AVERAGE REPRESENTED EMPLOYEE

4. # Furlough or Non-Work Days associated with change

5. Total # of Instructional Days to be provided in Fiscal Year (as
applicable to Certificated BU agreements only)

1/4/2013 10:35 AM

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**FORM FOR PUBLIC DISCLOSURE
OF PROPOSED COLLECTIVE BARGAINING AGREEMENT
(AB1200 (Statutes of 1991, Chapter 1213) as revised by AB 2756
(Statutes of 2004, Chapter 25), Government Code 3547.5.)**

Enter District Name

SCHOOL DISTRICT

D.

**PERCENTAGE BENEFIT CHANGE FOR BOTH STATUTORY AND DISTRICT-PROVIDED
EMPLOYEE BENEFITS INCLUDED IN THIS PROPOSED AGREEMENT:**

1.	Cost of Benefits Before Agreement	
2.	Cost of Benefits After Agreement	
3.	Percentage Change in Total Costs	#DIV/0!

E.

IMPACT OF PROPOSED AGREEMENT ON DISTRICT RESERVES

State-Recommended Minimum Reserve Level (after implementation of Proposed Agreement)

1.	Based On Total Expenditures and Other Uses in the General Fund of:	\$ -
2.	Percentage Reserve Level State Standard for District:	3.0%
3.	Amount of State Minimum Reserve Standard:	\$ -

**SUFFICIENCY OF DISTRICT UNRESTRICTED RESERVES to meet the minimum recommended
level AFTER IMPLEMENTATION OF PROPOSED AGREEMENT:**

GENERAL FUND RESERVES (Fund 01 Unrestricted ONLY)

4.	Reserve for Economic Uncertainties (Object 9789)	
5.	Unassigned/Unappropriated (Object 9790)	
6.	Total Reserves: (Object 9789 + 9790)	

SPECIAL RESERVE FUND (Fund 17, as applicable)

7.	Reserve for Economic Uncertainties (Object 9789)	
----	---	--

TOTAL DISTRICT RESERVES, applicable to State Minimum Reserve Standard:

8.	General Fund & Special Reserve Fund:	
9.	Percentage of General Fund Expenditures/Uses	#DIV/0!
	Difference between District Reserves and Minimum State Requirement	

**FORM FOR PUBLIC DISCLOSURE
OF PROPOSED COLLECTIVE BARGAINING AGREEMENT
(AB1200 (Statutes of 1991, Chapter 1213) as revised by AB 2756
(Statutes of 2004, Chapter 25), Government Code 3547.5.)**

Enter District Name

SCHOOL DISTRICT

F. MULTIYEAR CONTRACT AGREEMENT PROVISIONS

G. FINANCIAL IMPACT OF PROPOSED AGREEMENT IN SUBSEQUENT FISCAL YEARS
The following assumptions were used to determine that resources will be available to fund these obligations in future fiscal years (including any compensation and/or noncompensation provisions specified below that have been agreed upon if the proposed agreement is part of a multi-year contract):

H. NARRATIVE OF AGREEMENT

I. SOURCE OF FUNDING FOR PROPOSED AGREEMENT

The following source(s) of funding have been identified to fund the proposed agreement

**FORM FOR PUBLIC DISCLOSURE
OF PROPOSED COLLECTIVE BARGAINING AGREEMENT
(AB1200 (Statutes of 1991, Chapter 1213) as revised by AB 2756
(Statutes of 2004, Chapter 25), Government Code 3547.5.)**

Enter District Name

SCHOOL DISTRICT

CERTIFICATION

To be signed by the District Superintendent AND Chief Business Official when submitted for Public Disclosure and by the Board President after formal action by the Governing Board on the proposed agreement.

The information provided in this document summarizes the financial implications of the proposed agreement and is submitted for public disclosure in accordance with the requirements of AB-1200, AB -2756 and GC 3547.5.

We hereby certify that the costs incurred by the school district under this agreement can be met by the district during the term of the agreement.

District Superintendent
(signature)

Date

Chief Business Official/Assistant Superintendent
(signature)

Date

After public disclosure of the major provisions contained in this Summary, the Governing Board, at its meeting on enter date mm/dd/yy took action to approve the proposed Agreement with the Enter Name of BU Bargaining Unit.

President, Governing Board
(signature)

Date

Example 2

Public Disclosure General Instructions

ORANGE COUNTY DEPARTMENT OF EDUCATION DISTRICT FISCAL SERVICES

GENERAL INSTRUCTIONS FOR COMPLETION OF PUBLIC DISCLOSURE OF COLLECTIVE BARGAINING AGREEMENTS

- Please make it available to the public for review prior to the governing board taking action on the proposed bargaining agreement. Please complete the Disclosure of Collective Bargaining Agreements and send a copy to the county superintendent of schools prior to board action.
- Separate documents must be completed for each bargaining unit.
- In the “Annual Cost Prior to Proposed Agreement” column, show the current fiscal year’s cost data. **This may not necessarily be the same as the budget figures if estimated salary increases were included in the adopted budget.**
- In the “Year 1” column, show the incremental cost increase or decrease that would result from the proposed agreement for the fiscal year in which the contract is first effective. If the agreement includes a retroactive salary increase for a prior year and the impact of the increase is in the current fiscal year, show the total increase of both the prior and current year in the “Year 1” column. Fill in the “Year 2” and “Year 3” columns only if the proposed agreement is a multiyear contract that includes years subsequent to the current year.
- To ensure full disclosure, such as for agreements with salary increases that may not be effective for a full year, explain the terms of the agreement on the top of page two.
- Please use Section H on page four and the four columns designated to show the “Projected Budget Before the Settlement,” the “Adjustments as a Result of Settlement,” “Other Revisions,” and the “Total Projected Budget” for the fiscal year being settled. Also, please include a narrative listing all assumptions used in these projections.
- **Any time a contract is reopened, disclosure of the proposed agreement must be made.** This is especially applicable to multiyear agreements that are tied to projected cost of living adjustments in the subsequent years. **Once an actual percentage rate and dollar increase is established, that salary increase must be disclosed even though it may have been partially budgeted.**
- Certification Form No.1 must be signed by the district superintendent and chief business official. Certification Form No. 2 must be signed by the district superintendent or designee at the time of public disclosure and by the president or clerk of the governing board at the time of formal board action on the proposed agreement.

- The manner in which the public is made aware of the proposed agreement and its availability for public inspection and review is at the discretion of the district. Districts may select one or more methods for communicating to the public — i.e., notice in newspaper, posted notices, letters to parents, PTA newsletters, etc. However, notification must include the public at large and should not be limited to district parents only.

Example 2

Public Disclosure Specific Instructions

ORANGE COUNTY DEPARTMENT OF EDUCATION DISTRICT FISCAL SERVICES

SPECIFIC INSTRUCTIONS FOR COMPLETION OF PUBLIC DISCLOSURE OF COLLECTIVE BARGAINING AGREEMENTS

1. **Salary Schedule** — Report only the cost of salaries, excluding statutory and health/welfare benefits and step and column.

Cost Prior to Proposed Agreement — Enter the total cost of salaries for the bargaining unit prior to the proposed agreement.

\$: Enter the amount of the increase or decrease for the proposed change in the salary schedule.

%: Divide the amount by the *Cost Prior to the Proposed Agreement*, Line 1.

2. **Step and Column (subset costs)** — report only the cost of salaries, excluding statutory and health/welfare benefits.

\$: Enter the cost of step and column movement on the salary schedule plus any changes due to the proposed agreement of the affected bargaining unit.

%: Divide the cost of step and column by the *Cost Prior to Proposed Agreement*, Line 2.

3. **Other Compensation** — Report only the cost of salaries associated with the cost of “other compensation,” excluding statutory and health/welfare benefits.

\$: Enter the amount of the proposed change in *Other Compensation*.

%: Divide the amount by the *Cost Prior to the Proposed Agreement*, Line 3.

Description — Indicate specific changes in *Other Compensation* for each affected year. For example: One percent off-schedule or \$200 per employee.

4. **Statutory Benefits** — Report only the cost of *statutory benefits* excluding salaries and health/welfare benefits.

Cost Prior to Proposed Agreement — Enter the total cost of *statutory benefits* of the bargaining unit prior to the proposed agreement.

\$: Enter the amount of the proposed change in *statutory benefits* resulting from changes in salaries reported on Lines 1 and 2.

%: Divide the amount by the *Cost Prior to Proposed Agreement*, Line 4.

5. **Health/Welfare Benefits** — Report only the cost of *health/welfare benefits*, excluding the cost of salaries and statutory benefits.

Cost Prior to Proposed Agreement — Enter the total cost of *health/welfare benefits* of the bargaining unit prior to the proposed agreement.

\$: Enter the amount of the proposed change in *health/welfare benefits* for the affected bargaining unit.

%: Divide the amount by the *Cost Prior to Proposed Agreement*, Line 5.

6. **Total Compensation**

Cost Prior to Proposed Agreement — Total Lines 1 through 5.

\$: Total Lines 1 through 5.

%: Divide the total by *Cost Prior to Proposed Agreement*, Line 6.

7. **Total Number of Represented Employees** — Enter the full-time equivalent (FTE) employees for the affected bargaining unit.

8. **Total Compensation Cost for Average Employee**

Cost Prior to Proposed Agreement — Divide *Cost Prior to Proposed Agreement*, Line 5 by FTE Employees, Line 7.

\$: Divide Total Compensation, Line 5 by FTE Employees, Line 7.

%: Divide Total Compensation Cost for Average Employee, Line 8, by *Cost Prior to Proposed Agreement*, Line 8.

Example 2

Public Disclosure Forms

Orange County Department of Education District Fiscal Services

PUBLIC DISCLOSURE OF COLLECTIVE BARGAINING AGREEMENT in Accordance with AB 1200 (Chapter 1213/1991), GC 3547.5, and CCR, Title V, Section 15449

School District - Bargaining Unit: (Please select school district name from this drop down list.)

Certificated, Classified, Other:

The proposed agreement covers the period beginning: _____ and ending: _____
(date) (date)

The Governing Board will act upon this agreement on: _____
(date)

A. Proposed Change in Compensation

Compensation	Annual Cost Prior to Proposed Agreement FY	Fiscal Impact of Proposed Agreement		
		Year 1 Increase/(Decrease) FY	Year 2 Increase/(Decrease) FY	Year 3 Increase/(Decrease) FY
1 Salary Schedule Increase (Decrease)	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%
2 Step and Column Increase (Decrease) Due to movement plus any changes due to settlement	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%
3 Other Compensation - Increase (Decrease) (Stipends, Bonuses, Longevity, Overtime, etc.)	\$ -	\$ -	\$ -	\$ -
Description of other compensation		0.00%	0.00%	0.00%
4 Statutory Benefits - STRS, PERS, FICA, WC, UI, Medicare etc.	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%
5 Health/Welfare Plans	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%
6 Total Compensation - Increase (Decrease) (Total Lines 1-5)	\$ -	\$ -	\$ -	\$ -
7 Total Number of Represented Employees (Use FTEs if appropriate)	0.00	0	0	0
8 Total Compensation Average Cost per Employee	\$ -	\$ -	\$ -	\$ -
		0.00%		

Revised June 2012

9. What was the negotiated percentage increase approved? For example, if the increase in "Year 1" was for less than a full year, what is the annualized percentage of that increase for "Year 1"?

10. Were any additional steps, columns, or ranges added to the schedules? (If yes, please explain.)

11. Please include comments and explanations as necessary.

12. Does this bargaining unit have a negotiated cap for Health and Welfare benefits? Yes ☐ No ☐

If yes, please describe the cap amount.

B. Proposed Negotiated Changes in Noncompensation Items (i.e., class size adjustments, staff development days, teacher prep time, classified staffing ratios, etc.)

C. What are the specific impacts on instructional and support programs to accommodate the settlement?

Include the impact of changes such as staff reductions or increases, program reductions or increases, elimination or expansion of other services or programs (i.e., counselors, librarians, custodial staff, etc.)

D. What contingency language is included in the proposed agreement? Include specific areas identified reopeners, applicable fiscal years, and specific contingency language.

E. Will this agreement create, increase or decrease deficit financing in the current or subsequent year(s)?
"Deficit Financing" is defined to exist when a fund's expenditures and other financing uses exceed its revenues and other financing sources in a given year. If yes, explain the amounts and justification for doing so.

F. Identify other major provisions that do not directly affect the district's costs, such as binding arbitrations, grievance procedures, etc.

G. Source of Funding for Proposed Agreement

1. Current Year

2. If this is a single year agreement, how will the ongoing cost of the proposed agreement be funded in subsequent years (i.e., what will allow the district to afford this contract)?

3. If this is a multiyear agreement, what is the source of funding, including assumptions used, to fund these obligations in subsequent years? (Remember to include compounding effects in meeting obligations.)

H. IMPACT OF PROPOSED AGREEMENT ON CURRENT YEAR OPERATING BUDGET

Unrestricted General Fund

Enter Bargaining Unit: #N/A

	Column 1 Latest Board- Approved Budget Before Settlement (As of __/__/__)	Column 2 Adjustments as a Result of Settlement	Column 3 Other Revisions	Column 4 Total Current Budget (Columns 1+2+3)
REVENUES				
Revenue Limit Sources (8010-8099)	\$ -	\$ -	\$ -	\$ -
Remaining Revenues (8100-8799)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Certificated Salaries (1000-1999)	\$ -	\$ -	\$ -	\$ -
Classified Salaries (2000-2999)	\$ -	\$ -	\$ -	\$ -
Employee Benefits (3000-3999)	\$ -	\$ -	\$ -	\$ -
Books and Supplies (4000-4999)	\$ -	\$ -	\$ -	\$ -
Services, Other Operating Expenses (5000-5999)	\$ -	\$ -	\$ -	\$ -
Capital Outlay (6000-6599)	\$ -	\$ -	\$ -	\$ -
Other Outgo (7100-7299) (7400-7499)	\$ -	\$ -	\$ -	\$ -
Direct Support/Indirect Cost (7300-7399)	\$ -	\$ -	\$ -	\$ -
Other Adjustments				
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -
OPERATING SURPLUS (DEFICIT)	\$ -	\$	\$	\$ -
TRANSFERS IN & OTHER SOURCES (8910-8979)	\$ -	\$	\$	\$ -
TRANSFERS OUT & OTHER USES (7610-7699)	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS (8980-8999)	\$ -	\$	\$	\$ -
CURRENT YEAR INCREASE (DECREASE) IN FUND BALANCE	\$ -	\$ *	\$	\$ -
BEGINNING BALANCE	\$ -			\$ -
Prior-Year Adjustments/Restatements (9793/9795)	\$			\$
CURRENT-YEAR ENDING BALANCE	\$ -	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE:				
Nonspendable Reserves (9711-9719)	\$ -	\$ -	\$ -	\$ -
Restricted Reserves (9740)	\$ -	\$ -	\$ -	\$ -
Stabilization Arrangements (9750)	\$ -	\$ -	\$ -	\$ -
Other Commitments (9760)	\$ -	\$ -	\$ -	\$ -
Other Assignments (9780)	\$ -	\$ -	\$ -	\$ -
Reserve for Economic Uncertainties (9789)	\$ -	\$ -	\$ -	\$ -
Unassigned/Unappropriated (9790)	\$ -	\$ -	\$ -	\$ -

* Please see question on page 7.

H. IMPACT OF PROPOSED AGREEMENT ON CURRENT YEAR OPERATING BUDGET

Restricted General Fund

Enter Bargaining Unit: #N/A

	Column 1 Latest Board- Approved Budget Before Settlement (As of __/__/__)	Column 2 Adjustments as a Result of Settlement	Column 3 Other Revisions	Column 4 Total Current Budget (Columns 1+2+3)
REVENUES				
Revenue Limit Sources (8010-8099)	\$ -	\$ -	\$ -	\$ -
Remaining Revenues (8100-8799)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Certificated Salaries (1000-1999)	\$ -	\$ -	\$ -	\$ -
Classified Salaries (2000-2999)	\$ -	\$ -	\$ -	\$ -
Employee Benefits (3000-3999)	\$ -	\$ -	\$ -	\$ -
Books and Supplies (4000-4999)	\$ -	\$ -	\$ -	\$ -
Services, Other Operating Expenses (5000-5999)	\$ -	\$ -	\$ -	\$ -
Capital Outlay (6000-6599)	\$ -	\$ -	\$ -	\$ -
Other Outgo (7100-7299) (7400-7499)	\$ -	\$ -	\$ -	\$ -
Direct Support/Indirect Cost (7300-7399)	\$ -	\$ -	\$ -	\$ -
Other Adjustments				
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -
OPERATING SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -
TRANSFERS IN & OTHER SOURCES (8910-8979)	\$ -	\$ -	\$ -	\$ -
TRANSFERS OUT & OTHER USES (7610-7699)	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS (8980-8999)	\$ -	\$ -	\$ -	\$ -
CURRENT YEAR INCREASE (DECREASE) IN FUND BALANCE	\$ -	\$ *	\$ -	\$ -
BEGINNING BALANCE	\$ -			\$ -
Prior-Year Adjustments/Restatements (9793/9795)	\$ -			\$ -
CURRENT-YEAR ENDING BALANCE	\$ -	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE:				
Nonspendable Reserves (9711-9719)	\$ -	\$ -	\$ -	\$ -
Restricted Reserves (9740)	\$ -	\$ -	\$ -	\$ -
Stabilization Arrangements (9750)	\$ -	\$ -	\$ -	\$ -
Other Commitments (9760)	\$ -	\$ -	\$ -	\$ -
Other Assignments (9780)	\$ -	\$ -	\$ -	\$ -
Reserve for Economic Uncertainties (9789)	\$ -	\$ -	\$ -	\$ -
Unassigned/Unappropriated (9790)	\$ -	\$ -	\$ -	\$ -

* Please see question on page 7.

H. IMPACT OF PROPOSED AGREEMENT ON CURRENT YEAR OPERATING BUDGET

Combined General Fund

Enter Bargaining Unit: #N/A

	Column 1 Latest Board- Approved Budget Before Settlement (As of __/__/__)	Column 2 Adjustments as a Result of Settlement	Column 3 Other Revisions	Column 4 Total Current Budget (Columns 1+2+3)
REVENUES				
Revenue Limit Sources (8010-8099)	\$ -	\$ -	\$ -	\$ -
Remaining Revenues (8100-8799)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Certificated Salaries (1000-1999)	\$ -	\$ -	\$ -	\$ -
Classified Salaries (2000-2999)	\$ -	\$ -	\$ -	\$ -
Employee Benefits (3000-3999)	\$ -	\$ -	\$ -	\$ -
Books and Supplies (4000-4999)	\$ -	\$ -	\$ -	\$ -
Services, Other Operating Expenses (5000-5999)	\$ -	\$ -	\$ -	\$ -
Capital Outlay (6000-6599)	\$ -	\$ -	\$ -	\$ -
Other Outgo (7100-7299) (7400-7499)	\$ -	\$ -	\$ -	\$ -
Direct Support/Indirect Cost (7300-7399)	\$ -	\$ -	\$ -	\$ -
Other Adjustments				
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -
OPERATING SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -
TRANSFERS IN & OTHER SOURCES (8910-8979)	\$	\$	\$	\$ -
TRANSFERS OUT & OTHER USES (7610-7699)	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS (8980-8999)	\$	\$	\$	\$ -
CURRENT YEAR INCREASE (DECREASE) IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
BEGINNING BALANCE	\$ -			\$ -
Prior-Year Adjustments/Restatements (9793/9795)	\$			\$
CURRENT-YEAR ENDING BALANCE	\$ -	\$	\$	\$ -
COMPONENTS OF ENDING BALANCE:				
Nonspendable Reserves (9711-9719)	\$ -	\$ -	\$ -	\$ -
Restricted Reserves (9740)	\$ -	\$ -	\$ -	\$ -
Stabilization Arrangements (9750)	\$ -	\$ -	\$ -	\$ -
Other Commitments (9760)	\$ -	\$ -	\$ -	\$ -
Other Assignments (9780)	\$ -	\$ -	\$ -	\$ -
Reserve for Economic Uncertainties (9789)	\$ -	\$ -	\$ -	\$ -
Unassigned/Unappropriated (9790)	\$ -	\$ -	\$ -	\$ -

* Please see question on page 7.

I. IMPACT OF PROPOSED AGREEMENT ON SUBSEQUENT YEARS

Combined General Fund

Enter Bargaining Unit: #N/A

	2011-12	2012-13	2013-14
	Total Current Budget After Settlement	First Subsequent Year After Settlement	Second Subsequent Year After Settlement
REVENUES			
Revenue Limit Sources (8010-8099)	\$ -	\$ -	\$ -
Remaining Revenues (8100-8799)	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Certificated Salaries (1000-1999)	\$ -	\$ -	\$ -
Classified Salaries (2000-2999)	\$ -	\$ -	\$ -
Employee Benefits (3000-3999)	\$ -	\$ -	\$ -
Books and Supplies (4000-4999)	\$ -	\$ -	\$ -
Services, Other Operating Expenses (5000-5999)	\$ -	\$ -	\$ -
Capital Outlay (6000-6999)	\$ -	\$ -	\$ -
Other Outgo (7100-7299) (7400-7499)	\$ -	\$ -	\$ -
Direct Support/Indirect Cost (7300-7399)	\$ -	\$ -	\$ -
Other Adjustments		\$ -	\$ -
TOTAL EXPENDITURES	\$ -	\$ -	\$ -
OPERATING SURPLUS (DEFICIT)	\$ -	\$ -	\$ -
TRANSFERS IN & OTHER SOURCES (8910-8979)	\$ -	\$ -	\$ -
TRANSFERS OUT & OTHER USES (7610-7699)	\$ -	\$ -	\$ -
CURRENT YEAR INCREASE (DECREASE) IN FUND BALANCE	\$ -	\$ -	\$ -
BEGINNING BALANCE	\$ -	\$ -	\$ -
CURRENT-YEAR ENDING BALANCE	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE:			
Nonspendable Reserves (9711-9719)	\$ -	\$ -	\$ -
Restricted Reserves (9740)	\$ -	\$ -	\$ -
Stabilization Arrangements (9750)	\$ -	\$ -	\$ -
Other Commitments (9760)	\$ -	\$ -	\$ -
Other Assignments (9780)	\$ -	\$ -	\$ -
Reserve for Economic Uncertainties (9789)	\$ -	\$ -	\$ -
Unassigned/Unappropriated (9790)	\$ -	\$ -	\$ -

J. IMPACT OF PROPOSED AGREEMENT ON UNRESTRICTED RESERVES

1. State Reserve Standard

		2011-12	2012-13	2013-14
a.	Total Expenditures, Transfers Out, and Uses (Including Cost of Proposed Agreement)	\$ -	\$ -	\$ -
b.	State Standard Minimum Reserve Percentage for this District enter percentage:	0.00%	0.00%	0.00%
c.	State Standard Minimum Reserve Amount for this District (For districts with less than 1,001 ADA, this is the greater of Line a, times Line b. OR \$50,000	\$ -	\$ -	\$ -

2. Budgeted Unrestricted Reserve (After Impact of Proposed Agreement)

a.	General Fund Budgeted Unrestricted Reserve for Economic Uncertainties (9789)	\$ -	\$ -	\$ -
b.	General Fund Budgeted Unrestricted Unassigned/Unappropriated Amount (9790)	\$ -	\$ -	\$ -
c.	Special Reserve Fund (Fund 17) Budgeted Reserve for Economic Uncertainties (9789)	\$	\$	\$
d.	Special Reserve Fund (Fund 17) Budgeted Unassigned/Unappropriated Amount (9790)	\$	\$	\$
g.	Total Available Reserves	\$ -	\$ -	\$ -
h.	Reserve for Economic Uncertainties Percentage	0.00%	0.00%	0.00%

3. Do unrestricted reserves meet the state minimum reserve amount?

2011-12	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2012-13	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2013-14	Yes <input type="checkbox"/>	No <input type="checkbox"/>

4. If no, how do you plan to restore your reserves?

6. Please include any additional comments and explanations of Page 4 as necessary:

K. CERTIFICATION NO. 1: CERTIFICATION OF THE DISTRICT'S ABILITY TO MEET THE COSTS OF COLLECTIVE BARGAINING AGREEMENT

The disclosure document must be signed by the District Superintendent and Chief Business Officer at the time of public disclosure.

In accordance with the requirements of Government Code Section 3547.5, the Superintendent and Chief Business Officer of the _____ School District, hereby certify that the District can meet the costs incurred under the Collective Bargaining Agreement between the District and the _____ Bargaining Unit, during the term of the agreement from _____ to _____.

The budget revisions necessary to meet the costs of the agreement in each year of its term are as follows:

Budget Adjustment Categories:	Budget Adjustment Increase (Decrease)
Revenues/Other Financing Sources	
Expenditures/Other Financing Uses	-
Ending Balance Increase (Decrease)	-

N/A ____ (No budget revisions necessary)

District Superintendent
(Signature)

Date

Chief Business Officer
(Signature)

Date

L. CERTIFICATION NO. 2

The disclosure document must be signed by the district Superintendent or designee at the time of public disclosure and by the President or Clerk of the Governing Board at the time of formal board action on the proposed agreement.

The information provided in this document summarizes the financial implications of the proposed agreement and is submitted to the Governing Board for public disclosure of the major provisions of the agreement (as provided in the "Public Disclosure of Proposed Bargaining Agreement") in accordance with the requirements of AB 1200 and Government Code Section 3547.5.

District Superintendent (or Designee)
(Signature)

Date

President or Clerk of Governing Board
(Signature)

Date

Contact Person

Phone

Example 3

Public Disclosure Forms

COLLECTIVE BARGAINING AGREEMENT PUBLIC DISCLOSURE SUMMARY

Type of Bargaining Unit:

☐

Certificated

☐

Classified

☐

Confidential

☐

Certificated Management

☐

Classified Management

The proposed agreement covers the period beginning _____ and ending _____
and will be acted upon by the Governing Board at its meeting on _____

A. Proposed Change in Compensation

Compensation		Cost Prior to Proposed Agreement	Fiscal Impact of Proposed Agreement		
			Current Year Increase/(Decrease)	Year 2 Increase/(Decrease)	Year 3 Increase/(Decrease)
1	Current year salary costs	\$			
2	Step and column increase (Optional- if completed, do not include S & C costs in Line 1)	\$			
3	Total Current year salary costs	\$			
4	Salary schedule increase (decrease)		\$		
5	Cost due to salary schedule restructure (i.e., longevity, step and column over prior contract)		\$		
6	One-time compensation (i.e., stipends, bonus, off schedule one time payments or (furlough days))		\$		
7	Reclassification of position(s)		\$		
8	Other compensation		\$		
9	Statutory Benefits - STRS, PERS, FICA, WC, UI, Medicare, etc.	\$	\$		
10a	Health & Welfare costs before agreement	\$			
10b	Changes in Health & Welfare costs due to the agreement		\$		
10c	Health & Welfare costs after agreement (10a+10b)		\$		
10d	FTE's (impacted by health & welfare change)				
10e	Change in discretionary costs - per FTE (line 10b divided by line 10d)		\$		
11	Total Compensation Increase (decrease) (Total Lines 2, 4 thru 9 and 10b)				
12	TOTAL COMPENSATION INCREASE AS A PERCENTAGE OVER PRIOR FISCAL YEAR		%		

Public Disclosure Form

Section A

4. What is the proposed negotiated percentage increase or (decrease)? For example, if the increase in "Current Year" was for less than a full year, what was the percentage increase given, what is the effective date of the change, and what is the annualized percentage increase for "Year 1"? If a decrease, is it due to furlough days? If so, how many days?

5. Describe any changes or additions to step, column, or ranges on the salary schedules.

6. Describe any one- time compensation increases or decreases (example: furlough days)

7. Describe any reclassifications of positions.

8. Describe any "other compensation". Please include comments and explanations as necessary (if more room is necessary to answer, please attach additional sheet.)

10. Changes in Health and Welfare costs.

a. Does the district have a maximum on the employer paid portion of health and welfare?

_____ Yes _____ No

If yes, please describe the maximum dollar or percentage amount of the employer paid share of the health and welfare costs and any changes due to this proposed bargaining agreement.

b. Describe all other changes in Health and Welfare costs.

B. Describe any proposed negotiated changes in non-compensation items (e.g., class size adjustments, staff development days, teacher prep time, etc.)

Public Disclosure Form

C. Will there be any specific impacts (positive or negative) to operations related to the settlement? Include the impact of changes such as staff reductions or increases, program reductions or increases, elimination or expansion of other services or programs (i.e., counselors, librarians).

D. What contingency language is included in the proposed agreement (i.e., reopeners, etc.)?

E. What is the impact of the agreement on deficit spending in the current or future year(s)?
"Deficit Spending" is defined to exist when a district's expenditures exceed its revenues in a given year.

F. Are there any other provisions to be disclosed?

G. What are the source(s) of funding for the proposed agreement?

1. Current Year

<input type="checkbox"/> General Fund Revenues	<input type="checkbox"/> Reduction in Expenditures
<input type="checkbox"/> Special Reserve	<input type="checkbox"/> Other (please explain)

Explanation:

2. If this is a single year agreement, how will the ongoing cost, if any, of the proposed agreement be funded in future years? (i.e. COLA, staffing reductions, other sources of revenue)

3. If this is a multi-year agreement, what is the source of funding for these obligations in future years? Assumptions should include specifics, i.e., COLA, enrollment patterns. (Remember to include compounding effects in meeting obligations)

PUBLIC DISCLOSURE FORM

H. Impact of Proposed Agreement on Current Year Operating Budget

- ____ 1. The cost of the proposed agreement is included in the current working budget dated _____.
 ____ a. Copies of the budget transfers are attached (unless proposal was included in the adopted budget); or,
 ____ b. Section H3 below has been completed.
- ____ 2. Budget has not been updated for the proposal.
 ____ a. Proposed budget transfers are attached; or,
 ____ b. Section H3 below has been completed.

H3. RECAP OF PROPOSED BUDGET ADJUSTMENTS				
	Column 1	Column 2	Column 3	Column 4
Bargaining Unit(s):	Latest Board-Approved Budget Before Settlement Date: _____	Unrestricted Budget Adjustment Increase (Decrease)	Restricted Budget Adjustment Increase (Decrease)	Total Proposed Budget (Columns 1+2+3)
A. REVENUES				
1. Revenue Limit Sources (8010-8099)				
2. Remaining Revenues (8100-8799)				
B. TOTAL REVENUES				
C. EXPENDITURES				
1. Certificated Salaries (1000-1999)				
2. Classified Salaries (2000-2999)				
3. Employee Benefits (3000-3999)				
4. Books and Supplies (4000-4999)				
5. Services, Other Operating Expense (5000-5999)				
6. Capital Outlay (6000-6599)				
7. Other Outgo (7100-7299) (7400-7499)				
8. Direct Support/Indirect Costs (7300-7399)				
9. Other Adjustments				
D. TOTAL EXPENDITURES (C1:C9)				
E. OPERATING SURPLUS (DEFICIT) (B-D)				
F. TRANSFERS IN & OTHER SOURCES (8910-8979)				
G. TRANSFER OUT & OTHER USES (7610-7699)				
H. CONTRIBUTIONS (8980-8998)				
I. INCREASE (DECREASE) IN FUND BALANCE (E+F+G+H)				
J. BEGINNING BALANCE				
K. CURRENT YEAR ENDING BALANCE (J+I)				

IMPACT OF PROPOSED AGREEMENT ON DISTRICT RESERVES

I. VERIFICATION OF ACCEPTABLE MINIMUM RESERVE LEVEL

1. STATE-RECOMMENDED MINIMUM RESERVE LEVEL (after implementation of all proposed agreements)			
a. Total expenditures, Transfers Out, and uses per current working budget plus total cost increases for all bargaining agreements			
b. Recommended minimum reserve percentage from table below			
c. Recommended minimum reserve amount for this district (I1a times I1b) for districts with less than 1001 ADA, this is the greater of calculation or \$50,000			

J. IMPACT OF PROPOSED AGREEMENT TO THE BUDGET

1. GENERAL FUND (Fund 01) Unrestricted/Undesignated Only (Resource 0000)			
a. Board approved budgeted ending balance			
b. Changes to budgeted ending balance for all bargaining agreements			
c. Estimated budgeted ending balance (line J1a plus J1b)			
2. SPECIAL RESERVE FUND (Fund 17)			
a. Board approved budgeted ending balance			
b. Changes to budgeted ending balance for all bargaining agreements			
c. Estimated budgeted ending balance (line J2a plus J2b)			
3. TOTAL DISTRICT RESERVES FOR THE YEAR OF AGREEMENT (Line J1c and J2c) (must be greater than I1c)			

TABLE OF STATE RECOMMENDED MINIMUM RESERVE PERCENTAGES

Percentage Level For Districts with ADA ranging from:			
5% or \$50,000 (Greater of)	0	to	300
4% or \$50,000 (Greater of)	301	to	1,000
3%	1,001	to	30,000
2%	30,001	to	400,000
1%	400,001	and	Over

Apportionment Posting

I. OVERVIEW

- A. Most of the funds that local educational agencies (LEAs) receive come from the State of California, through the State Controller's Office (SCO).
- B. The funds that are issued by the SCO are the state apportionments (e.g., state aid (Local Control Funding Formula), home-to-school pupil transportation, class size reduction), the pass-through funds from the federal government (e.g., NCLB Title I), and restricted state categorical program grants (formula driven and reimbursement grants).
- C. The California Department of Education (CDE) will notify the county treasurer and the county superintendent of schools (CSS)/county office of education (COE) of the amounts due to the LEAs and notify the SCO to release the funds.
 1. At the time CDE releases the instructions to the SCO for the fund release, the CDE state or federal fiscal accounting office e-mails a notification to the CSS/COE including the following elements:
 - a) Identification of the claim schedules;
 - b) when they were sent to the SCO;
 - c) an estimated timeframe when the funds should be released by the SCO;
 - d) attaches any disbursement schedules (generally an excel spreadsheet) showing the individual district and the county disbursement totals statewide;
 - e) a notice of apportionment or federal funding award letter to each COE identified e-mail repository.

The CDE accounting office maintains a county e-mail repository distribution list. COE business office staff responsible for this function will need to be provided access to this e-mail repository data.

2. Notice of apportionment letters are e-mailed to CSS to identify the deposit of funds to the appropriate LEA. COEs are requested to forward the apportionment notices to the appropriate LEA. The CDE generally provides notices three to six weeks before the funds are released by the SCO.
3. The electronic distribution of the notice of apportionment letters from the CDE accounting office has greatly improved communication. These letters provide the appropriate Standard Account Code Structure (SACS) resource code and object classification code that the LEA must use when reporting revenue earned.
 - COEs can find additional information on the SACS query page for the accounting treatment of these funds at: <http://www2.cde.ca.gov/sacsquery/querybyresource.asp>

* Minor revisions 2/2015 in keeping with implementation of the Local Control Funding Formula

Apportionment Posting

4. COEs can also find detail on apportionment amounts and notices for many of the apportionment entitlements on CDE's categorical web site: <http://www.cde.ca.gov/fg/aa/ca/>
- D. The SCO sends funds for LEAs and COE through an electronic warrant process using these methods:
 1. Method 1
 - a) The SCO issues warrants to a number of banks located throughout the state.
 - b) These warrants are placed in a lockbox in Sacramento and the banks send couriers to pick up the warrants.
 - c) The banks wire the funds to the appropriate county treasurers.
 2. Method 2
 - a) The SCO issues the warrant directly to the county treasurer.
- E. When the county treasurer receives the funds, they will post them to a clearing fund (an agency fund on the books of the county treasurer. This could be a revolving fund, or unapportioned fund on the county books until the funds are deposited to the specific district funds).
 1. The county treasurer will generally notify the COE that they have received local educational agency (LEA) funds and request instructions on where to post the funds.
 2. The county treasurer may e-mail or fax a copy of the remittance advice from the SCO and a treasurer-initiated deposit order to the COE.
 - a) COEs may also have access to view the treasurer's bank account to verify the apportioning of funds on holidays and days that the county treasurer's office may be closed.
 3. The COE will provide instructions to the county treasurer regarding where to post the funds received (which LEAs and which funds of the LEA).
 4. The remittance advice from the SCO will identify the state claim number issued to CDE accounting, the state assigned CDS code for the LEA, and the state program cost account (PCA) from which the funds have been drawn.
 1. The COE can match the claim number with the e-mailed notices for further information on the accounting treatment of these funds.

Apportionment Posting

2. The PCA number can also be used in the SACS query to find additional information as well as program contacts for these funds.
5. The principal apportionment and special purpose apportionment funds are released in accord with set formulas identified by education code. The CDE provides schedules for the annual estimate of these amounts. COEs must maintain distribution schedules based on these formulas to distribute the funds to the appropriate district and fund for which the dollars are apportioned. The SCO's warrant does not identify the district amount for these funds.
 - This is a link to the CDE Principal apportionment page which provides "Funding Excel files" that link to summary and detailed spreadsheets identifying the estimated monthly payments by LEA and COE: <http://www.cde.ca.gov/fg/aa/pa/pa1112.asp>

II. COUNTY OFFICE RESPONSIBILITIES

- A. Once the COE staff notify the county treasurer of where to post the funds for the LEA, they will either:
 1. Post the funds into the district's financials/general ledger.
 2. Send a notice to the district to post the amounts into their books.
 - In some counties, the districts post all amounts into their own books; the county office does not make any entries into the books of the district even if the district is online with the county.
- B. The COE must provide the LEA with copies of the state notice or provide the LEA the information about where to obtain the supporting fund release information

Apportionment Posting

III. EXAMPLES OF APPORTIONMENT POSTINGS

A. Principal Apportionment

1. Use CDE Funding Excel File Spreadsheet for Advance Apportionment by COE and by LEA

Payment Schedule, FY 2011-12 Advance

Monthly payment schedule for fiscal year (FY) 2011-12 advance appropriation

note: This page may need to be printed in landscape view

LEA: Local Educational Agencies

County Code	County Name	Advance Apportionment Amount	July Payment (Exempt LEAs Only)	August Payment (Exempt LEAs Only)	September Total (Includes Repayment of \$700 Millions Deferred from July)	October Payment (Exempt LEAs Only)	November Payment	December Payment	January Total (Includes Repayment of Partial July, August, and October Deferrals)	Total Advance Payments
01	Alameda	\$012,057,816	\$016,907	\$016,907	\$02,590,913	\$1,474,632	\$73,136,214	\$73,136,214	\$201,675,670	\$485,901,822
02	Alpine	\$000,000	\$0	\$0	\$00,000	\$0	\$00,250	\$00,250	\$00,500	\$451,125
03	Amador	\$3,200,000	\$0	\$0	\$307,875	\$0	\$348,211	\$348,211	\$700,419	\$1,700,707
04	Butte	\$124,364,120	\$20,000	\$20,000	\$10,750,914	\$12,517	\$9,591,454	\$9,591,454	\$34,518,584	\$70,576,493
05	Calaveras	\$10,515,372	\$0	\$0	\$1,690,672	\$0	\$606,104	\$606,104	\$0,560,817	\$6,197,702
06	Colusa	\$18,145,360	\$0	\$0	\$3,775,337	\$0	\$372,261	\$372,261	\$7,001,027	\$11,626,608
07	Contra Costa	\$386,897,217	\$27,302	\$27,302	\$00,086,364	\$49,143	\$45,768,732	\$45,768,732	\$127,652,263	\$279,673,500
08	Del Norte	\$16,565,802	\$0,000	\$0,000	\$3,149,300	\$12,249	\$671,276	\$671,276	\$4,933,134	\$10,256,518
09	El Dorado	\$111,517,051	\$545,021	\$545,021	\$13,770,918	\$36,130	\$3,335,167	\$3,335,167	\$27,668,463	\$62,188,790
10	Fresno	\$915,102,143	\$747,574	\$747,574	\$10,454,767	\$1,305,275	\$75,417,436	\$75,417,436	\$214,900,515	\$207,106,674
11	Green	\$26,903,248	\$0	\$0	\$3,732,766	\$0	\$1,796,824	\$1,796,824	\$7,685,264	\$14,931,939
12	Humboldt	\$74,420,370	\$42,017	\$42,017	\$12,564,825	\$75,631	\$4,036,160	\$4,036,160	\$23,096,254	\$44,443,104
13	Imperial	\$175,575,241	\$136,436	\$136,436	\$20,735,379	\$163,276	\$15,752,248	\$15,752,248	\$45,653,758	\$66,626,560
14	Inyo	\$12,162,564	\$267,030	\$267,030	\$1,567,569	\$334,659	\$854,490	\$854,490	\$2,545,076	\$6,936,573
15	Kern	\$776,796,210	\$373,500	\$373,500	\$100,206,150	\$972,396	\$63,190,722	\$63,190,722	\$207,337,527	\$435,442,439
16	Kings	\$136,143,646	\$0	\$0	\$17,746,755	\$0	\$13,510,000	\$13,510,000	\$17,600,518	\$62,376,181
17	Lake	\$32,419,936	\$0	\$0	\$4,260,122	\$0	\$2,696,663	\$2,696,663	\$8,601,967	\$16,236,435
18	Lassen	\$24,545,150	\$145,660	\$145,660	\$3,487,669	\$262,204	\$1,856,322	\$1,856,322	\$6,601,529	\$11,646,395
19	Los Angeles	\$7,555,567,567	\$33,699,245	\$33,699,245	\$851,260,642	\$35,603,643	\$661,420,587	\$661,420,587	\$1,750,644,158	\$4,342,114,050

[illegible]

2. Prepare spreadsheet for the proper account classification entry and cash values for County Treasury deposit by LEA.

Apportionment Posting

B. Categorical Posting

1. Receive through the CDE e-mail depository a copy of e-mailed apportionment letter and distribution schedule, which includes the SCO claim schedule information for when funds are actually received by the county treasurer.

CS#1120007-1120011 Bulletin 12-014A

Manvir Lallian [MLallian@cde.ca.gov]

Conversation: CS#1120007-1120011

Posted: Mon 7/18/2011 9:34 AM

Posted To: sbcoedfs

Attachments:  1124796L_10-11Deferred TIIBG.DOC (90 KB);  2010-11 TIIBG deferral.xls (215 KB)

The above claim schedules were sent to the State Controller's Office on July 15th, 2011. Warrants should be received within approximately 3 weeks. See attachments for detail.

Manvir Lallian
State Funds Unit
Department of Education

Apportionment Posting



TOM TORLAKSON
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

July 1, 2011

Dear County Superintendents of Schools:

**NOTICE OF THE DEFERRED APPORTIONMENT FOR THE
TARGETED INSTRUCTIONAL IMPROVEMENT BLOCK GRANT
FISCAL YEAR 2011-12
(AMOUNTS DEFERRED FROM FISCAL YEAR 2010-11)**

This apportionment, in the amount of \$98,987,896, is made from funds provided in Section 39(a)(9) of Assembly Bill (AB) 1610 (Chapter 724, Statutes of 2010), Targeted Instructional Improvement Block Grant (TIIBG). Warrants will be mailed to each county treasurer approximately four weeks from the date of this Notice.

California Department of Education (CDE) has sent an e-mail to each county superintendent, addressed to the county's CDEfso e-mail address, to inform him or her of this apportionment. The e-mail contained a link to the CDE Categorical Programs Web page at <http://www.cde.ca.gov/fp/ba/ca/> where, under the program name, the letter and schedule for this apportionment are posted. The CDE requested that the e-mail be forwarded to the school districts and charter schools in the county.

California Education Code Section 42605 authorizes complete flexibility by a school district, county office of education, and charter school in the use of funds appropriated in the state budget for fiscal years 2000-09 through 2014-15 for numerous budget items, including the funds formerly restricted to the TIIBG Program. School districts, county offices of education, and charter schools may now use the funds formerly restricted to this program for any educational purpose. Program and funding requirements as otherwise provided in statute, regulation, and budget act provisional language associated with the funding are not in effect. The funds are therefore unrestricted and should be accounted for as such. For standardized account code structure coding, use Resource Code 0000, Unrestricted, and Revenue Object Code 0560, All Other State Revenue.

Each school district's 2010-11 TIIBG entitlement was calculated based on the same relative proportion of funds that each school district received for the 2000-09 TIIBG Program. Funding for the 2010-11 program entitlements comes from two sources, as follows: (1) \$765,268,000 from Item 0110-245-0001, as reduced by Control Section 12.42, of the Budget Act of 2010; and (2) \$100,118,000 in funds deferred from 2010-11 to 2011-12 and appropriated in Section 39(a)(9) of AB 1610. This

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July 1, 2011
Page 2

apportionment provides to each school district the portion of the TIIBG funding that was deferred from fiscal year 2010-11 to 2011-12.

Section 37 of Assembly Bill 2 of the Fourth Extraordinary Session (ABX4 2) requires that fiscal year 2010-11 categorical funding allocations to school districts that were basic aid in fiscal year 2009-10 be reduced by the lesser of: (1) the district's 2009-10 total revenue limit subject to the deficit factor, calculated as of the 2009-10 certified second principal apportionment, multiplied by 5.81 percent or (2) the amount of the district's excess taxes. In implementation of ABX4 2, the amount paid in 2010-11 to districts that were basic aid in 2009-10 was reduced in the prior TIIBG apportionment and is noted on the current schedule of apportionment for reference.

Apportionment Posting

			SCHEDULE OF THE DEFERRED APPORTIONMENT FOR THE TARGETED INSTRUCTIONAL IMPROVEMENT BLOCK GRANT FISCAL YEAR 2011-12 (AMOUNTS DEFERRED FROM FISCAL YEAR 2010-11)						
County Code	District Code	Local Educational Agency	2010-11 Entitlement	Basic Aid Reduction (Offset 10-11 based on 09-10 status)	2010-11 Cash Entitlement	Prior Apportionment	Balance of Entitlement	Basic Aid Reduction (Offset 11-12 based on 10-11 status)	Current Apportionment
SAN BERNARDINO COUNTY									
36	67587	Adelanto Elementary	\$187,159		\$187,159	\$185,263	21,906		\$21,906
36	67595	Alta Loma Elementary	\$536,039		\$536,039	\$473,299	62,740		\$62,740
36	67611	Barstow Unified	\$50,312		\$50,312	\$44,423	5,889		\$5,889
36	67645	Central Elementary	\$327,797		\$327,797	\$289,430	38,367		\$38,367
36	67652	Chaffey Joint Union High	\$781,704		\$781,704	\$690,210	91,494		\$91,494
36	67678	Chino Valley Unified	\$1,710,651		\$1,710,651	\$1,510,429	200,222		\$200,222
36	67688	Colton Joint Unified	\$1,143,174		\$1,143,174	\$1,009,372	133,802		\$133,802
36	67694	Cucamonga Elementary	\$152,885		\$152,885	\$134,901	17,984		\$17,984
36	67710	Fontana Unified	\$1,800,243		\$1,800,243	\$1,589,535	210,708		\$210,708
36	67777	Moreno Unified	\$226,054		\$226,054	\$199,596	26,458		\$26,458
36	67785	Mountain View Elementary	\$35,456		\$35,456	\$31,306	4,150		\$4,150

2. Prepare bulletin or advisory to notify LEAs of upcoming apportionment posting.
3. Once funds are received, prepare the appropriate county treasurer documents to post to individual LEA funds as identified or notify the LEA to post the received amounts.

Apportionment Posting



Apportionment Bulletin

Date: 7/19/11

Bulletin No. 12-014A

TO: San Bernardino County School Districts
Chief Business Officials and Directors of Accounting

SUBJECT: 11-12 Targeted Instructional Improvement Block Grant

Enclosed for your information are the following documents for your district:

1. Letter from the California Department of Education dated 7/01/11.
2. Distribution Schedule.

The income from this apportionment **WILL BE** deposited into the following accounts:

Fiscal Year	11-12	
Resource	0000	
Fund	01	
Revenue Account	8590	
PCA	24717	
District	Various	
Transfer #	MIS (PENDING)	FIN (PENDING)

Please forward this information to the appropriate District Staff. Notices of Credit will be sent to the district once funds are released for posting.

A log of all apportionment bulletins processed including this bulletin and back up documentation can be accessed at <http://www.sbcss.k12.ca.us/busServe/appBulletin.php>.

The Apportionment Summary, which is updated monthly as of the 10th working day of every month, can be accessed at http://www.sbcss.k12.ca.us/busServe/bas_Apport.php. (Includes revenue deposited as of the last working day of the previous month).

If you have any questions, please call me.

Sincerely,

GARY THOMAS, ED.D.
County Superintendent of Schools

Jesus M. Holguin, Fiscal Analyst II
Business Advisory Services

Silvia Soria, Senior Fiscal Clerk
Business Advisory Services
(909) 777-0750

Education Revenue Augmentation Fund (ERAF)

I. OVERVIEW

A. The Education Revenue Augmentation Fund (ERAF)

1. The ERAF is the fund used to collect the property taxes in each county that are shifted from cities, the county, and special districts prior to their reallocation to K-14 school agencies.
2. The county treasurer maintains the ERAF on behalf of the county auditor.

B. The Legislation

1. In the early 1990s, the State of California passed legislation that authorized the shift of property taxes from local governments to K-14 school agencies and a corresponding reduction in the state support of K-14 education.
2. This shift first had an impact on the 1992-1993 state budget.
3. The shift transferred over \$3.7 billion in property tax revenues from cities, the county and special districts.
4. The state has made numerous changes to the Revenue and Taxation Code since the early 1990s to modify the calculations.
5. In 2004-05, three shifts of property taxes from school agencies to local government occurred which affected the allocation of ERAF.
 - a. One tax shift is known as the “Triple Flip” began March 2004, after voters approved a bond initiative known as the “California Recovery Act.”

This act authorized issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 state budget deficits.

The revenue stream for payment of these bonds was established by the redirection of tax revenues through the “Triple Flip.”

Under the “Triple Flip,” one quarter of the local governments’ 1% share of sales taxes are re-directed to the state as a dedicated revenue source for the bond repayment. To mitigate the loss of this revenue to the local governments, the legislation “re-directed” property taxes in the ERAF to local government. The loss of ERAF property taxes to the school agencies is then backfilled with state aid.

It is anticipated the swap of sales taxes for property taxes will terminate once the deficit financing bonds are paid, which is currently expected in 9-13 years.

* Minor revisions made 2/2015 in keeping with implementation of the Local Control Funding Formula

Education Revenue Augmentation Fund (ERAF)

- b. Shortly after the historic 2004 gubernatorial recall, a second shift occurred when the state reduced vehicle license fees (VLF) thus reducing revenue received by local governments. To backfill this reduction of revenue, the state shifted \$4.1 billion in property taxes from school districts to local government.
- c. The final shift occurred in November 2004, when Proposition 1A was approved. This proposition included “The Deal” which local governments agreed to a two year temporary shift of property taxes back to school agencies based upon a guarantee to never shift local government revenues to school agencies (save fiscal emergency). Subsequently, in 2006-07 the temporary tax shift to schools reverted back to local governments.

C. Revenue and Taxation Code Sections 97 – 97.68

- 1. These code sections modify the calculations and allocations of property taxes made by the county and require the deposits of the amount of the property tax revenues not allocated to cities, the county, and special districts into the ERAF.
- 2. The county auditor is required to allocate the money in the ERAF to school districts, county offices of education, and community colleges.
- 3. The county superintendent of schools is required to determine the amount that the county auditor will allocate to each school district and county office of education.
- 4. Basic aid districts are excluded from receiving funds from ERAF.
- 5. The county auditor is required to allocate the ERAF to the school districts and county office based on the information provided by the county superintendent of schools.
Revenue and taxation Code Section 97.2
 - a. The amount allocated is in inverse proportion to the amounts of property tax revenue per average daily attendance (ADA) in each school district and county office of education. That is, the more property taxes per ADA the district receives, the less ERAF per ADA they will receive.
- 6. The county auditor must not allocate any additional funds from ERAF to a school district or county office of education, causing those entities to become basic aid.
- 7. The county auditor is required to allocate the ERAF to the community colleges based on information provided by the Chancellor of the California Community Colleges.
- 8. If there are still additional funds in the ERAF after the allocations to school districts, county offices of education, and community colleges, the county auditor allocates these funds to the county superintendent of schools.

Education Revenue Augmentation Fund (ERAF)

- a. Funds allocated to the county superintendent are counted as property tax revenue for special education programs in augmentation of the amount calculated pursuant to Education Code Section 2572, to the extent that those property tax revenues offset state aid for county offices of education and school districts pursuant to Education Code Section 56836.08 subdivision (c). The allocation to a county office of education for special education (i.e. excess ERAF) is to be made as though none of the shifts enacted in 2004 occurred — see Revenue and Taxation Code section 97.70 (f) (1).
9. If any additional revenues remain after the allocation for special education, the county auditor will allocate the remaining revenues among the county, cities, and special districts in proportion to the amounts of ad valorem property tax revenues that were shifted from those agencies to the ERAF.

II. DETAILED PROCEDURES

- A. Depending on the county, beginning in October, the county will provide an estimate of the ERAF funds for the fiscal year. In some counties, the estimate is provided in December or January. In some counties, this estimate is provided by the Auditor Controller's office.
- B. The county will provide an additional estimate in April and the final amount at the end of the year (July).
- C. The county office of education staff enter the amount of the estimated ERAF for the year into a spreadsheet that allocates the ERAF among the districts, the community colleges, and the county office of education. Sample spreadsheets are shown at the end of this section.
 1. The county office of education will receive a letter from the Chancellor's office that provides the amount of ERAF for the community colleges in the county. In some counties, this estimate is provided to the districts.
 2. The ADA used in the spreadsheets is current year or estimated current year ADA.
 3. The county office of education prepares the ERAF spreadsheet at P-1 and P-2. This information is also provided to the districts.
- D. The calculation is returned to the county auditor's office. The county auditor uses the spreadsheet to allocate the ERAF as the taxes are collected.

Education Revenue Augmentation Fund (ERAF)

1. Required shifts in the property taxes, that began in 2004-05 and sizably increased in 2006-07, may exceed the amounts allocated to the ERAF account, resulting in “negative” ERAF (In this case, the ERAF account is zeroed out and secured taxes are reduced in order to make up the total amount that needs to be shifted that particular year). Beginning in 2007-08, negative ERAF should be reported independently and not netted against secured taxes.
 2. If the ERAF fund is insufficient to fund the VLF Adjustment amount, the auditor shall reduce the amount of ad valorem property tax revenue that is otherwise required to be allocated to non-basic-aid districts and community college districts in the county for that fiscal year by an amount equal to the difference between the VLF Adjustment amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the ERAF in accordance with Revenue and Taxation Code Section 97.70 (a) (1) (B). These reductions are to be allocated among the various schools and college districts in proportion to their respective proportion of local secured assessed valuations.
 3. If the ERAF balance after adjustments is negative, then a reverse ERAF allocation may be necessary. All ERAF monies should be depleted before implementing a reverse ERAF shift from non-basic aid schools. The sequence of ERAF transfers for Triple Flip and VLF swap adjustments should be as follows:
 - ERAF
 - Supplemental ERAF
 - Unitary ERAF
 - HOPTR ERAF
 - Only after the ERAF resources listed above have been exhausted should a reversal occur.
 - The calculation of a district’s basic aid status should be based on the current year Local Control Funding Formula and local property taxes prior to shifts in property taxes. The district’s prior year status as a basic aid district is not relevant.
- E. The county auditor completes the estimated tax reports in November, April, and August (final).
1. These tax reports are submitted to the county office of education.
 2. The county office of education is required to submit the tax reports to the California Department of Education by:

P-016

Date Revised: 1/2008

Education Revenue Augmentation Fund (ERAF)

- a. ~~For the first principal apportionment – no later than November 15.~~
 - b. For the second principal apportionment – no later than April 15.
 - c. For the annual principal apportionment – no later than August 15.
3. The county office of education submits the tax reports using the on-line software from the CDE.

Allocation of ERAF Sample Worksheet #1

ERAF Base Proration, Acct. #8045 ACOE, K-12 Districts and Community Colleges

FY 2003/04 Base Taxes

Totals	Description	P-1 ERAF	Ratio	Funds Distributed January	P-2 ERAF	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
ACOE		9,340,600.00	2.84%	5,176,054.39									5,176,054.39
K-12 Districts		278,013,700.00	84.53%	154,060,520.43									154,060,520.43
Community Colleges		41,548,299.00	12.63%	23,018,861.62									23,018,861.62
Grand Total		328,902,599.00	100.00%	182,255,436.44									182,255,436.44

K-12 Distribution

District	P-1 or P-2 ADA	Ratio	Funds Distributed January	P-2 ADA	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Alameda	9,981.73	4.93%	7,595,183.66									7,595,183.66
Albany	3,042.02	1.50%	2,310,907.81									2,310,907.81
Berkeley	8,497.92	4.20%	6,470,541.86									6,470,541.86
Castro Valley	7,858.99	3.88%	5,977,548.19									5,977,548.19
Dublin	4,160.72	2.05%	3,158,240.67									3,158,240.67
Emery	829.02	0.41%	631,648.13									631,648.13
Fremont	30,171.68	14.90%	22,955,017.54									22,955,017.54
Hayward	22,828.93	11.27%	17,362,620.65									17,362,620.65
Livermore	13,508.00	6.67%	10,276,836.71									10,276,836.71
Mountain House	40.36	0.02%	30,812.10									30,812.10
New Haven	13,023.99	6.43%	9,906,091.46									9,906,091.46
Newark	7,099.18	3.51%	5,407,524.27									5,407,524.27
Oakland	46,290.77	22.87%	35,233,641.03									35,233,641.03
Piedmont	2,508.69	1.24%	1,910,350.45									1,910,350.45
Pleasanton	13,305.06	6.57%	10,121,776.19									10,121,776.19
San Leandro	8,222.61	4.06%	6,254,857.13									6,254,857.13
San Lorenzo	10,960.66	5.41%	8,334,674.16									8,334,674.16
Union City	172.08	0.08%	123,248.42									123,248.42
Total	202,501.61	100.00%	154,060,520.43									154,060,520.43

Community College Distribution

Community College	P-1 Estimate	Ratio	Funds Distributed January	P-2 Estimate	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Chabot-Las Positas	14,934,530.00	35.94%	8,272,978.87									8,272,978.87
Fremont-Newark (Ohlone)	5,191,799.00	12.50%	2,877,357.70									2,877,357.70
Peralta	21,421,970.00	51.56%	11,868,525.05									11,868,525.05
Total	41,548,299.00	100.00%	23,018,861.62									23,018,861.62

Allocation of ERAF Sample Worksheet #1

ERAF Interest Proration, Acct. #8660
ACOE, K-12 Districts and Community Colleges

FY 2003/04 Interest

Totals											
	P-1 ERAF	Ratio	Funds Distributed January	P-2 ERAF	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
ACOE	9,340,600.00	2.84%	5,544.27								5,544.27
K-12 Districts	278,013,700.00	84.53%	165,020.14								165,020.14
Community Colleges	41,548,299.00	12.63%	24,656.39								24,656.39
Grand Total	328,902,599.00	100.00%	195,220.80								195,220.80

K-12 Distribution

District	P-1 or P-2 ADA	Ratio	Funds Distributed January	P-2 ADA	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Alameda	9,981.73	4.93%	8,135.49								8,135.49
Albany	3,042.02	1.50%	2,475.30								2,475.30
Berkeley	8,497.92	4.20%	6,930.85								6,930.85
Castro Valley	7,859.99	3.86%	6,402.78								6,402.78
Dublin	4,180.72	2.05%	3,382.91								3,382.91
Emery	829.02	0.41%	676.56								676.56
Fremont	30,171.68	14.90%	24,588.00								24,588.00
Hayward	22,828.93	11.27%	18,597.77								18,597.77
Livermore	13,508.00	6.67%	11,006.84								11,006.84
Mountain House	40.36	0.02%	33.00								33.00
New Haven	13,023.99	6.43%	10,610.80								10,610.80
Newark	7,099.18	3.51%	5,792.21								5,792.21
Oakland	46,290.17	22.87%	37,740.11								37,740.11
Piedmont	2,508.69	1.24%	2,046.25								2,046.25
Pleasanton	13,305.06	6.57%	10,841.82								10,841.82
San Leandro	8,222.61	4.06%	6,699.82								6,699.82
San Lorenzo	10,960.66	5.41%	8,927.59								8,927.59
Union City	172.08	0.08%	132.02								132.02
Total	202,501.81	100.00%	165,020.14								165,020.14

Community College Distribution

Community College	P-1 Estimate	Ratio	Funds Distributed January	P-2 Estimate	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Chabot-Las Positas	14,934,530.00	35.94%	8,861.51								8,861.51
Fremont-Newark (Offone)	5,191,799.00	12.50%	3,082.05								3,082.05
Peralta	21,421,970.00	51.56%	12,712.83								12,712.83
Total	41,548,299.00	100.00%	24,656.39								24,656.39

Allocation of ERAF Sample Worksheet #1

Community College Adjustment Calculation

<u>Chabot-Las Positas</u>		
P1	8,272,978.87	
P2	-	
Per Worksheet	<u>8,272,978.87</u>	
Per Chancellor's Schedule	<u>14,934,530.00</u>	
Too Much / (Not Enough)	<u>(6,661,551.13)</u>	

Chabot-Las Positas	(6,661,551.13)
Fremont-Newark	(2,314,441.30)
Peralta	(9,553,444.95)
Total Adjustment	<u>(18,529,437.38)</u>

<u>Ohlone (Fremont-Newark)</u>		
P1	2,877,357.70	
P2	-	
Per Worksheet	<u>2,877,357.70</u>	
Per Chancellor's Schedule	<u>5,191,799.00</u>	
Too Much / (Not Enough)	<u>(2,314,441.30)</u>	

Final ERAF Allocation (Chancellor's Office)	
Chabot-Los Positas	14,934,530.00
Ohlone (Fremont-Newark)	5,191,799.00
Peralta	21,421,970.00
Total	<u>41,548,299.00</u>
<i>ERAF must equal this amount at year-end</i>	

<u>Peralta</u>		
P1	11,868,525.05	
P2	-	
Per Worksheet	<u>11,868,525.05</u>	
Per Chancellor's Schedule	<u>21,421,970.00</u>	
Too Much / (Not Enough)	<u>(9,553,444.95)</u>	

Allocation of ERAF Sample Worksheet #1

ERAF Basic Aid Calculation

P2 Certification District	2000-01 Total Revenue Limit P-2 Cert EDP 088	Local Property Taxes P-2 J29 B Col. 10	ERAF P-2 J29 B Col. 9	Est. Local Taxes before ERAF Col. 3 minus Col. 4	Difference R/L vs Local Taxes Col. 2 minus Col. 5	ERAF Funding Jan-01 Col. 7	Remaining ERAF Capacity Col. 6 minus Col. 7	ERAF Funding 6/02 Act #1 Col. 9	Remaining ERAF Capacity Col. 8 minus Col. 9	ERAF Funding 6/02 Act #2 Col. 11	Remaining ERAF Capacity Col. 10 minus Col. 11
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
Alameda	45,030,007	20,898,100	11,232,900	9,685,200	35,364,807.00	7,595,183.86	27,769,623.34	0.00	27,769,623.34	0.00	27,769,623.34
Albany	12,460,210	5,357,300	3,021,200	2,336,100	10,124,110.00	2,310,907.81	7,813,202.19	0.00	7,813,202.19	0.00	7,813,202.19
Berkeley	42,085,464	23,309,100	9,909,100	13,400,000	28,685,464.00	6,470,541.86	22,214,922.14	0.00	22,214,922.14	0.00	22,214,922.14
Castro Valley	33,682,637	14,529,130	8,194,400	6,334,730	27,347,907.00	5,977,548.19	21,370,358.81	0.00	21,370,358.81	0.00	21,370,358.81
Dublin	21,148,954	12,271,400	4,087,600	8,183,800	12,965,154.00	3,158,240.67	9,806,913.33	0.00	9,806,913.33	0.00	9,806,913.33
Emery	5,074,702	1,515,700	938,600	577,100	4,497,602.00	631,648.13	3,865,953.87	0.00	3,865,953.87	0.00	3,865,953.87
Fremont	129,676,579	70,562,300	32,655,900	37,906,400	91,770,179.00	22,955,017.54	68,815,161.46	0.00	68,815,161.46	0.00	68,815,161.46
Hayward	99,992,415	42,365,800	24,521,800	17,844,000	82,148,415.00	17,362,620.85	64,785,794.35	0.00	64,785,794.35	0.00	64,785,794.35
Livermore	57,652,273	30,978,720	14,185,200	16,793,520	40,858,753.00	10,275,836.71	30,582,916.29	0.00	30,582,916.29	0.00	30,582,916.29
Mtn. House	273,918	125,700	56,600	69,100	204,818.00	30,812.10	174,005.90	0.00	174,005.90	0.00	174,005.90
New Haven	57,912,817	23,526,700	14,560,700	8,966,000	48,946,817.00	9,906,091.46	39,040,725.54	0.00	39,040,725.54	0.00	39,040,725.54
Newark	32,383,212	15,782,100	8,010,600	7,771,500	24,611,712.00	5,407,524.27	19,204,187.73	0.00	19,204,187.73	0.00	19,204,187.73
Oakland	222,838,724	91,994,300	54,604,600	37,389,700	185,449,024.00	35,233,641.03	150,215,382.97	0.00	150,215,382.97	0.00	150,215,382.97
Piedmont	11,844,909	6,508,900	2,875,200	3,633,700	8,211,209.00	1,910,350.45	6,300,858.55	0.00	6,300,858.55	0.00	6,300,858.55
Pleasanton	64,239,463	37,496,200	13,360,300	24,135,900	40,103,563.00	10,121,776.19	29,981,786.81	0.00	29,981,786.81	0.00	29,981,786.81
San Leandro	35,183,483	16,913,100	8,606,700	8,306,400	26,877,083.00	6,254,857.13	20,622,225.87	0.00	20,622,225.87	0.00	20,622,225.87
San Lorenzo	47,527,148	18,909,400	11,627,900	7,281,500	40,245,648.00	8,334,674.16	31,910,973.84	0.00	31,910,973.84	0.00	31,910,973.84
Sunol	903,022	722,390	204,200	518,190	384,832.00	123,248.42	261,583.58	0.00	261,583.58	0.00	261,583.58
	919,909,937	433,766,340	222,653,500	211,112,840	154,060,520.43	154,060,520.43	0.00	0.00	0.00	0.00	0.00
				211,112,840		154,060,520.43					

Allocation of ERAF Sample Worksheet #2

Estimate of VLF Sales Tax and ERAF III on ERAF - 2006-07

ERAF Computation	J DESCRIPTION	Actual @ December 2006	X2	ERAF III Portion of Prop Tax	To City	To County	To Schools
S SUBOB							
100	PROPERTY TAX	18,431,846	36,863,692		(14,819,832)	(24,848,812)	(2,804,952)
104	IN LIEU VLF	-15,855,416	(31,710,832)		8,910,540	22,800,292	0
110	PROPERTY TAX	921,807	1,843,614				1,843,614
130	PROPERTY TAX	1,493	2,986				2,986
142	PENALTIES FO	785	1,570				1,570
143	REDEMPTION P	1,567	3,134				3,134
150	SUPPLEMENTAL	85,893	171,786				171,786
151	SUPPLEMENTAL	2,294	4,588				4,588
160	SUPPLEMENTAL	7,297	14,594				14,594
161	SUPPLEMENTAL	549	1,098				1,098
169	IN LIEU SALE		(7,957,812)		5,909,292	2,048,520	0
430	INTEREST	21,514	43,028				43,028
830	ST-HOMEOWNER	182,506	365,012				365,012
1150	CONTR FR OTH						0
	REVENUE TOT		(353,542)	0	0	0	(353,542)

Allocation of ERAF Sample Worksheet #2

Estimate of VLF Sales Tax and ERAF III on ERAF - 2005-06

BALANCE	(Y,M,Q,A) : Y								
FISCAL	MO/YEAR : 12 2006								
FUND TY	PE : 72								
FUND	: 777								
S SUBOB	J DESCRIPTION	ACTUAL	ERAF III Portion of Prop Tax	To City	To County	To Schools			
100	PROPERTY TAX	39,055,662	5,339,748	(13,446,461)	(24,121,654)	1,487,547			
104	IN LIEU VLF	-30,869,904		8,511,016	22,358,888	0			
110	PROPERTY TAX	925,134				925,134			
130	PROPERTY TAX	-20,930				(20,930)			
142	PENALTIES FO	1,826				1,826			
143	REDEMPTION P	3,757				3,757			
150	SUPPLEMENTAL	1,032,250				1,032,250			
151	SUPPLEMENTAL	13,520				13,520			
160	SUPPLEMENTAL	18,543				18,543			
161	SUPPLEMENTAL	398				398			
169	IN LIEU SALE	-6,698,211		4,935,445	1,762,766	0			
430	INTEREST	52,978				52,978			
830	ST-HOMEOWNER	364,124				364,124			
1150	CONTR FR OTH	3,149,786	3,149,786			3,149,786			
	REVENUE TOT	7,028,933	8,489,534	0	-0	7,028,933			
5280	CONTRIB TO O	7,033,599				7,033,599			
	EXPEND TOTAL	7,033,599				7,033,599			
	REV LESS EX	-4,666				(4,666)			
						prior year undis interest			

I. OVERVIEW

- A.** The California Revenue and Taxation Code provides laws related to the collection of revenue in California including property taxes.
 - 1. Division 1 of the California Revenue and Taxation Code includes the laws for property taxation.
- B.** Local educational agencies (LEAs) and community colleges receive a significant amount of revenue from property taxes.

C. Tax Rates

Revenue and Taxation Code Sections 2151 – 2152.5

- 1. Section 2151 requires the board of supervisors to fix county and district tax rates and to levy the state, county and district taxes as provided by law.
- 2. Section 2152 requires the county auditor to ensure that the rates applicable to any assessment are correct.

D. County Auditor Allocations and Certifications

Revenue and Taxation Code Section 75.70

- 1. Requires the county auditor to allocate supplemental property taxes to each community college district, county superintendent of schools, and all elementary, high school, and unified school districts within the county.
- 2. Allocations of supplemental taxes to elementary, high school, and unified school districts are based on the average daily attendance (ADA) as certified by the Superintendent of Public Instruction (SPI). For purposes of this certification, average daily attendance shall be deemed zero for excess tax school entities and multicounty school districts where portions of school districts are located other than in the county of control.
- 3. The SPI is required to certify the ADA to each county auditor no later than July 15 of each applicable year. This ADA is used for the advance apportionment of state aid.
- 4. On or before November 15 and April 15, the auditor of each county will furnish to the SPI the estimated amount of tax receipts pursuant to this section of each school district situated within his or her county.

* Minor revisions made 2/2015 in keeping with implementation of the Local Control Funding Formula

Revenue and Taxation Code Section 96.1

1. Section (b) states that any allocation of property tax revenue that was subjected to a prior completed audit by the Office of the State Controller, pursuant to the requirements of Government Code Section 12468, where all findings have been resolved, shall be deemed correct.

E. Excess Tax School Entity Defined***Revenue and Taxation Code Section 95***

1. Defines an “excess tax school entity” as an educational agency for which the amount of the state funding entitlement determined under subdivision (e), (f), or (g) of Section 2575, or Section 84750.5 or 84751 of the Education Code, as appropriate, is zero, and as described in subdivision (o) of Section 42238.02 of the Education Code, as implemented by Section 42238.03 of the Education Code.

F. Administrative Costs***Revenue and Taxation Code Sections 95.2-95.3***

1. Sections 95.2 and 95.3 provide the law on the computation of property tax administrative costs.
 - a. Excludes school districts, community colleges, the county superintendent, and Educational Revenue Augmentation Fund (ERAF) from paying property tax administrative costs.
 - b. Requires the state to reimburse the county for the school districts, community college, county superintendent, and ERAF share of administrative costs.

G. County Assessor Duties***Revenue and Taxation Code Sections 401 – 407***

1. Establishes the requirement for the county assessor to assess all property subject to general property taxation at its full value.
2. Requires the assessor to assess all property subject to general property taxation on the lien date as provided in Articles XIII and XIII A of the Constitution and any legislative authorization.
3. Section 404 requires that all taxable property, except state-assessed property, will be assessed by the assessing agency of the taxing agency where the property is situated.

4. Section 405 requires the assessor to assess all taxable property in their county, except state-assessed property, to the persons owning, claiming, possessing, or controlling it on the lien date.
5. Section 407 requires the county assessor to transmit a statistical statement to the board of supervisors annually, on the second Monday in July.

H. Secured Property Tax Roles / Tax Bills / Tax Collections

Revenue and Taxation Code Sections 2601 – 2636

1. Requires the auditor to deliver the secured roll to the tax collector on or before the fourth Monday in September.
2. The tax collector is responsible to collect all taxes.
3. Annually, on or before November 1, the tax collector must mail or electronically transmit a county tax bill or a copy thereof for every property on the secured roll.
4. The following information is included in each property tax bill:
 - a. The full value of locally assessed property.
 - b. The tax rate required by Article XIII A of the California Constitution.
 - c. The rate or dollar amount of taxes levied in excess of the 1% limitation to pay for voter-approved indebtedness incurred before July 1, 1978, or bonded indebtedness for the acquisition or improvement of real property approved by voters in their local school bond elections.
 - d. The amount of any special taxes and special assessments levied.
 - e. The amount of any tax rate reduction pursuant to Section 96.8.
 - f. The amount of any exemptions.
 - g. The total taxes due and payable on the property covered by the bill.
 - h. Instructions on tendering payment, including the name and mailing address of the tax collector.
 - i. The billing of any special purpose parcel tax.
 - j. Information specifying all of the following:

Property Taxes

- i. That if the taxpayer disagrees with the assessed value as shown on the tax bill, the taxpayer has the right to an informal assessment review by contacting the assessor's office.
 - ii. That if the taxpayer and the assessor are unable to agree on a proper assessed value pursuant to an informal assessment review, the taxpayer has the right to file an application for reduction in assessment for the following year with the county board of equalization or the assessment appeals board, as applicable, and the time period during which the application will be accepted.
 - iii. The address of the clerk of the county board of equalization or assessment appeals board, as applicable, at which forms for an application for reduction in assessment may be obtained.
5. One-half of the secured property taxes are due on November 1 and the second half is due February 1.
 - a. The entire tax on real property may be paid when the first installment is due and payable or anytime thereafter until the properties on the current roll become defaulted.
 - b. The second installment may be paid separately only if the first installment has been paid.
 - c. The tax collector must accept payment of current year taxes even though prior year delinquencies exist.
6. All taxes shall be paid at the tax collector's office unless the board of supervisors, upon recommendation of the tax collector and on or before the day when payments may be made, orders that taxes be collected in any other or additional location, in addition to a location within the county.
7. Not less than once every 12 months and on dates approved by the auditor, the tax collector shall account to the auditor for all moneys collected during the preceding reporting period.

I. Unsecured Property Tax Roles / Tax Bills / Tax Collections

Revenue and Taxation Code Sections 2901 – 2928.1

1. Taxes on unsecured property are due on the lien date.
2. The tax collector shall collect taxes on unsecured property.

3. In collecting taxes on unsecured property, the tax rate to be used is the rate for property of the same kind on the secured roll last fixed before the lien date for the taxes to be collected.
4. The assessor is responsible to deliver to the tax collector a written record of the assessment of the unsecured property.
5. The tax collector is responsible to mail or electronically transmit tax bills.
6. Taxes on the unsecured roll as of July 31, if unpaid, are delinquent on August 31.

J. Tax Distributions

Revenue and Taxation Code Sections 4653.4 - 4653.6

1. Taxes shall be distributed to each fund on the basis of the tax rate established for the current secured roll on which they are charged and in the same proportion that the tax rate for each fund bears to the total tax rate applicable.
2. Amounts paid as delinquent penalties shall be distributed to the county general fund.

Revenue and Taxation Code Sections 4655.2 - 4655.4

1. Taxes shall be distributed to each fund on the basis of the tax rate established for the current unsecured roll on which they are charged and in the same proportion that the tax rate for each fund bears to the total tax rate applicable.
2. Amounts paid as delinquent penalties or accrued legal interest paid on judgments for the recovery of unpaid property taxes rendered by the courts shall be distributed to the county general fund.

II. THE TEETER PLAN

A. Establishment of the “Alternative Method of Property Tax Distribution”

Revenue and Taxation Code Sections 4701 – 4717

1. In 1949, the state Legislature adopted Revenue and Taxation Code Section 4701, which authorized the “alternative method of property tax distribution.”
 - a. This method was proposed by the Contra Costa Auditor Controller, whose last name was Teeter.
 - b. This method was used by Contra Costa County for more than 40 years.
 - c. Due to changes in statutes, and a state budget crisis, many more counties began using the method in the 1993-1994 fiscal year.

Property Taxes

2. Section 4701 provides an alternative procedure for the distribution of property tax levies on the secured roll made by counties on their own behalf or as the tax-levying and tax-collecting agency for other political subdivisions.
3. The object of this alternative procedure is to simplify the tax-levying and tax-apportioning process and to increase flexibility in the use of available cash resources.
4. The alternative procedure allows the auditor-controller to allocate to agencies 100% of the secured property taxes billed but not yet paid.
 - a. Without the plan, delinquent taxes, penalties and interest are allocated when collected, by a separate allocation process.
 - b. The alternative procedure has other benefits:
 - i. It stabilizes property tax revenues.
 - ii. It simplifies the property tax revenue estimation and allocation process for the auditor.
 - iii. It generates higher property tax revenues during years of higher property tax delinquencies.
 - iv. It provides a one-time increase in property tax revenues to all taxing agencies in the year of implementation.
 - c. The alternative procedure could have the following disadvantages:
 - i. If the state Legislature decreased the penalties and interest rates on delinquent taxes, this could affect the amount of funds necessary to replenish the tax loss reserve.
 - ii. If there was a significant drop in property values, the county may be unable to collect delinquent taxes after initiating the sale of tax-defaulted property.
 - iii. If the board of supervisors rescinded the alternative tax distribution in a future fiscal year, there would be an adverse financial effect on agencies that spent the one-time tax distributions.
5. The alternative procedure may be placed in effect in any county by a resolution of the board of supervisors of that county, adopted no later than July 15th of the first fiscal year to which it applies.

- a. The procedure remains in effect unless the board orders its discontinuance or unless, prior to the commencement of any subsequent fiscal year, the board receives a petition for its discontinuance joined in by resolutions duly adopted by the governing boards of not less than two-thirds of the participating revenue districts in the county.
- b. In that event, the board shall order discontinuance of the procedure effective at the commencement of the subsequent fiscal year.

B. Teeter Plan Bond Law of 1994

Government Code Sections 54773 – 54783

1. These sections allow for a method to finance an alternative method of distribution of tax levies and collections of tax sale proceeds authorized pursuant to Sections 4701 to 4717, inclusive, of the Revenue and Taxation Code.
2. The bonds issued, financed, or refinanced under this chapter do not have to comply with the requirements of any other state laws applicable to the issuance of bonds.
3. Section 54776 allows the county to issue its bonds in an amount necessary to provide sufficient funds for purposes of advancing moneys representing uncollected taxes in accordance with Section 4705 of the Revenue and Taxation Code.
4. The county will repay the bonds from tax revenues and any other legally available funds of the county.

III. REDEVELOPMENT

(The source for most of the historical information was the California Legislative Analyst's (LAO's) report entitled "The 2012-13 Budget: Unwinding Redevelopment," dated February 17, 2012.)

A. Establishment and Growth of Redevelopment Agencies (RDAs)

1. In 1945, the Legislature passed the Community Redevelopment Act authorizing local agencies to create RDAs to revitalize blighted urban areas. Laws related to community redevelopment are primarily located in Division 24, Part 1, Sections 33000 and following of the California Health and Safety Code (HSC).
2. In 1952, voters approved Proposition 18, which established tax increment financing for blighted areas in need of urban renewal.

Property Taxes

- a. Under this process, once a city or county established an RDA project area, most of the increase in property tax revenue from that project area was to be distributed to the RDA instead of to other local agencies and could only be used to address the urban blight within that project area.
 - b. Because the urban growth within the RDA project area affected other public entities serving those areas (e.g., school districts, water districts, sewer districts, etc.), the increased tax increment revenue was to be shared between public entities and the city/county.
3. During the 1950s and 1960s, RDA project areas were generally small due to competing interests for property tax revenue and local governments' ability to raise taxes without voter approval. During this time, the state did not backfill tax revenue lost to local education agencies (LEAs) due to redevelopment.
4. School district revenue limits were established in 1972, thereby guaranteeing school districts a level of funding from combined state and local sources. If property taxes did not increase, the state backfilled the amount necessary to meet the revenue limit entitlement amount. This led to less motivation by some school districts to compete for the funds.
5. In 1976, AB 3674 was passed; this law required RDAs to spend 20 percent of tax increment revenues for affordable housing. These funds were deposited in the Low and Moderate Income Housing Fund and were to be used to maintain and increase affordable housing for qualified households.
6. In 1978, Proposition 13 passed, which significantly constrained local authority over the property tax and most other local revenue sources - except for redevelopment.
 - a. Redevelopment project areas began to significantly increase in size and were not always limited to blighted areas.
 - b. The increase in property tax revenue going to RDAs was decreasing funds needed for other local programs and increasing state costs to support K-14 education.
7. In the 1980s, the state began taking action to constrain RDA growth and to offset the state's increased costs associated with RDAs.
 - a. AB 322 (1983) prohibited adoption of RDA project areas that included large amounts of vacant land.

- b. Beginning in the 1990s, the state began taking actions in its annual budget to require RDAs to shift some of their revenues to schools to offset the state's increased costs associated with RDAs. The shifted funds typically were deposited into countywide accounts referred to as ERAF (Educational Revenue Augmentation Fund) or SERAF (Supplemental Educational Revenue Augmentation Fund).
 - c. SB 617 (1992) authorized revenue limit offsets for RDA payments, subject to certain exceptions for land acquisition, facility construction, reconstruction, remodeling or deferred maintenance.
 - d. AB 1290 (1993) defined blight, set time limits on project areas, eliminated the statutory authority to negotiate new pass-through agreements on a case-by-case basis, and created a statutory formula for sharing tax increment revenues based on an agency's proportionate share of the 1% property tax rate in the project area.
- 8. In May 2008, the State Controller's Office (SCO) issued a report titled "Distribution and Reporting of Local Property Tax Revenue," which raised concerns regarding RDAs, school districts and community college districts underreporting RDA revenues and thereby increasing state costs.
- 9. In September 2008, AB 1389 was passed; this bill established a new process for RDAs, counties and the state to report and document AB 1290 payments made to all affected taxing entities for 2003-04 through 2015.
- 10. Proposition 22, passed in November 2010, limited the state's ability to require RDAs to shift funds to schools or other agencies.

B. Dissolution of RDAs

- 1. In June 2011, two significant pieces of RDA-related legislation were enacted:
 - a. ABX1 26 imposed an immediate freeze on most RDA activity; dissolved RDAs effective October 1, 2011; and created a process for reducing and ending redevelopment financial affairs and distributing any net funds from assets or property taxes to other local taxing agencies.
 - b. ABX1 27 allowed RDAs to opt into a voluntary alternative program to avoid the dissolution included in ABX1 26. The program included annual payments to K-12 school districts to offset the fiscal effect of redevelopment.
 - c. ABX1 26 and ABX1 27 were challenged in court on constitutional grounds.

Property Taxes

2. On December 29, 2011, the California Supreme Court 1) upheld ABX1 26, saying that the Legislature had authority to dissolve entities it had created; 2) found ABX1 27 unconstitutional, in that it violated Proposition 22's prohibition against the state "directly or indirectly" requiring an RDA to transfer funds to schools or to any other agency; and 3) established timelines for dissolution of RDAs.
3. On February 1, 2012, all RDAs in California were dissolved and the process for bringing to a cessation their financial affairs began.
 - a. The cessation process focused on two goals: 1) ensuring that existing financial obligations were met, and 2) minimizing any additional RDA obligations so that more funds are available to transfer for other governmental purposes.
 - b. The unwinding process has four key elements: 1) Local management and oversight by a successor agency, which is usually the city or county that established the RDA; 2) establishment of a seven-member oversight board to supervise the successor agency's work; 3) development of a list of enforceable obligations of the former RDA; and 4) review by the Department of Finance (DOF) and SCO of local dissolution activity and redistribution of funds.
 - i. The oversight board includes representatives from the affected local taxing agencies: K-14 districts, the county, city, and special districts. The county board of education or county superintendent appoints one member to each oversight board.
4. The former RDA's housing functions and most of its housing assets have been transferred to a successor housing agency. The unencumbered balance in the former RDA's Low and Moderate Income Housing Fund is to be distributed to local taxing entities by the county auditor-controller.
5. The county auditor-controller administers each former RDA's Redevelopment Property Tax Trust Fund (RPTTF). This work involves quantifying the property taxes, formerly called tax increment, and then subtracting from that amount the following: pass-through payments, enforceable obligations payable that year, and allowable administrative costs. Any unencumbered agency cash is also added to the amount available to determine the amount of funds available to distribute to taxing entities.
6. Over time, the dissolution of RDAs will increase the amount of general purpose property tax revenues that schools, community colleges, cities, counties and special districts will receive to offset state general fund education expenses.

7. AB1484 became effective on June 27, 2012. Under ABX1 26 and AB 1484, districts and other affected taxing agencies receive three types of revenues from RDA projects from the county auditor-controller: pass-throughs, residual distributions, and asset liquidation revenues. AB 1484 also added subdivision (b) to Health and Safety Code (HSC) Section 34187 that requires pass-throughs to end when “all of the debt of a redevelopment agency has been retired or paid off.”

C. RDA Payments to Schools

1. Prior to the passage of AB 1290, many RDAs made pass-through payments to local agencies to partially offset these agencies’ property tax losses associated with redevelopment and to fund educational facilities. Although some K-14 districts negotiated for pass-through payments, many did not, since the revenue limit funding backfilled the lost RDA tax revenue.
 - a. As an alternative to negotiated agreements, former HSC Section 33676(a) required districts to elect to be allocated 2% payments, which were the inflationary revenues resulting from growth in the base year value of real property within a project area. In 2001, a court decision held that the 2% payments were required regardless of whether a district had adopted a resolution electing to receive them.
 - b. The 2% payments only apply to RDA projects adopted between January 1, 1985 and December 31, 1993.
 - c. The amounts received by LEAs pursuant to pass-through agreements or 2% payments are not considered property taxes as long as they are used for educational facilities.
2. The passage of AB 1290 created new statutory pass-through entitlements in post-1994 projects (HSC 33607.5), pre-1994 projects that are amended under certain conditions (HSC 33607.7), and pre- or post-1994 projects for LEAs that are basic aid or 100% locally funded (HSC 33676(b)). These payments are considered property taxes.

The following table provides the percentages for AB 1290 payments to each type of non-basic aid LEA as well as applicable sections of the Health and Safety Code and Education Code:

LEA	Health and Safety Code	Education Code	% Property Tax	% Non-Property Tax
School District	336075(a)(4)(A)	42238(h)(6)	43.3%	56.7%
Community College District	33607.5(a)(4)(B)	84751(d)	47.5%	52.5%
County Office of Education/ Special Education	33607.5(a)(4)(C)-(D)	2558(c)	19%	81%

Source: FCMAT Alert, May 2007, <http://wwwstatic.kern.org/gems/fcmat/FCMATRDAAAlertFINAL.pdf>

Property Taxes

With the passage of ABX1 26, the pass-through payments that may have been made directly to the districts from the RDAs are now made by the county auditor-controller.

IV. COUNTY OFFICE OF EDUCATION (COE) RESPONSIBILITIES

- A. The COE notifies the districts of the release of property taxes when notified by the county auditor. The county auditor may provide the information to the COE on spreadsheets.
- B. The COE should work with the county auditor-controller to verify that RDA revenues received by districts are identified by type and project area.
- C. The COE should help districts identify the types of RDA revenue received to determine whether or not they are subject to an offset and to assist with appropriate account coding.
- D. At the end of the year, the COE reconciles the taxes distributed to the districts, including RDA funds, to the final tax report provided by the county auditor. Some COEs receive the tax ledgers monthly from the auditor-controller's office. These ledgers are input into a spreadsheet by the COE. The COE then reconciles them quarterly with the district ledgers to ensure correct posting of the taxes.
- E. Based on the information provided by the county auditor, the COE prepares and submits the state online property tax reports on or before November 15 (P-1), April 15 (P-2), and August 15 (Annual). The COE provides each district with a copy of the property tax reports submitted to the state for each reporting period.
- F. The COE may also provide technical support to the successor agency oversight board members assigned by the county superintendent.

I. OVERVIEW

A. Two Systems

1. Local educational agencies (LEAs) have two retirement systems:
 - a. CalPERS – the California Public Employees’ Retirement System (PERS)
 - This retirement system provides retirement benefits to classified employees.
 - There are two retirement formulas because of AB 340 (see CalPERS Circular 200-062-12)
 - 2% at 55-Classic
 - 2% at 62- PEPRA
 - b. CalSTRS – the California State Teachers’ Retirement System (STRS)
 - This retirement system provides retirement benefits to certificated employees.
 - Because of AB 340, there are two retirement formulas (see CalSTRS Directive 2012-07 for details).
 - 2% at 60
 - 2% at 62
2. It is the employers’ responsibility to determine whether their employees are eligible to participate in CalPERS or CalSTRS and to determine the correct retirement formula.

B. Contributions

1. Employers are required to deduct the member contributions from the creditable compensation of employees who are members of PERS or STRS.
 - Education Code Section 23000 (STRS)
2. Employers are required to remit to PERS or STRS the member contributions and the employer contributions.

C. STRS

1. Contributions (Education Code Section 23002)
 - a. The member and employer contributions are due to the STRS office no later than five working days after the period covered by the monthly report that indicates the compensation earned.

CalPERS and CalSTRS

- b. Payments are delinquent beginning on the sixth working day after the period covered, and interest begins to accrue on that day.
- c. The STRS board shall authorize estimated payments of not less than 95% of the contributions due.
 - i. If the employer makes an estimated payment, the balance is due to STRS no more than 15 working days following the period covered by the monthly report upon which the contributions are based.
 - ii. The balance due is delinquent on the 16th working day thereafter, and interest begins to accrue on that day.
- d. Education Code Section 23003 authorizes the STRS board to assess penalties if the contributions are not made in conformance with Section 23002. – see *CalSTRS Penalties and Interest Employer Reference Guide*.

2. Reports

- a. Education Code Section 23004 states the following:

The county superintendent of schools or the employing agency shall, or a school district or community college district may, with approval of the board, submit a report monthly to the system containing information as the board may require in administration of the plan. The monthly report shall be submitted electronically in an encrypted format provided by the system that ensures the security of the transmitted member data.

 - i. This section allows a school district or community college district, with the approval of the STRS board, to submit the monthly report to STRS.
 - ii. School districts that are fiscally independent may submit their own reports.
- b. Education Code Section 23005 states:

Monthly reports are due to STRS 30 calendar days immediately following the month in which the compensation being reported under this part was earned, and are delinquent 15 calendar days immediately thereafter.
- c. Education Code Section 23006 authorizes the STRS board to assess penalties if the reports are late or in an unacceptable form. See *CalSTRS Penalties and Interest Employer Reference Guide* for details.
 - i. Education Code Section 23007 authorizes the Office of the State Controller, upon order of the STRS board, to withhold payments from the State School Fund to the county for deposit into the county school service fund if the employer fails to make payment of any assessment.

CalPERS and CalSTRS

- ii. Upon request of the county superintendent of schools to the county auditor, the county auditor shall withhold payments to a school district for deposit in the district's general fund until the contributions and the report are received in acceptable form by STRS.
- d. Education Code Section 23008 authorizes the county superintendent, district superintendent, chancellor of a community college district, or other employing agency that submitted the report to STRS to make changes to the monthly report.
 - i. These changes to the report are made because of over- or underpayments of required contributions.
 - ii. The entity must make these changes within 60 days after it finds the error or is notified by STRS.
 - iii. If the employee overpaid STRS, the agency must refund the overpayment within the same 60-day time period.
 - iv. STRS has the authority to assess penalties for late or improper adjustments to the monthly reports. See *CalSTRS Penalties and Interest Employer Reference Guide* for details.

D. CalPERS

1. Government Code Section 20221
 - Requires each school employer and the chief administrative agency of a contracting agency, or any other person whom its governing board may designate, to furnish to PERS information on the status of members.
2. Government Code Section 20222.5 authorizes the PERS board to obtain information needed during an audit.
3. Government Code Section 20537 authorizes PERS to charge interest on any unpaid amount due from a contracting agency. See *CalPERS Circular Letter 200-041-13*.
4. Government Code Section 20610 requires every county superintendent of schools to enter into a contract with PERS to include in PERS the following:
 - a. All qualifying classified employees of the county superintendent of schools whose compensation is paid from the county school service fund, except employees electing pursuant to Section 1313 of the Education Code to continue membership in a county system.
 - b. All of the employees of school districts and community college districts existing on July 1, 1949, or thereafter formed (note: there are some exclusions from this provision).

CalPERS and CalSTRS

- c. For purposes of this part, these school district employees are considered employees of the county superintendent of schools having jurisdiction over the school district by which they are employed.
- 5. Government Code Section 20617
 - a. Requires the county superintendent of schools to draw a requisition at the close of each month from the county school service fund and the funds of the respective school districts for amounts equal to the total of the employers' contributions and the contributions deducted from the compensation of employees paid from those funds.
 - b. The county superintendent must deposit these amounts in the county treasury to the credit of the contract retirement fund. This fund is often accounted for as a payroll clearing fund in the books of the county office of education.
 - c. Thereafter, warrants are drawn on this fund to remit the employees' and employers' contributions to PERS.

II. COUNTY OFFICE RESPONSIBILITIES

- A. County office of education staff will periodically receive training from PERS and STRS on reporting payroll and creditable earnings.
 - 1. PERS and STRS also have publications available to help the county office staff complete the information needed.
 - 2. The county office staff may also provide training to districts' payroll staff to ensure that earnings and other information are entered in the payroll records correctly and reported to the correct retirement system.
- B. Each month, the county superintendent of schools will determine how much money is owed to STRS and PERS and remit these amounts to the appropriate agency.
- C. In addition to remitting the correct amounts, the county office of education staff will prepare reports that are sent to STRS and PERS that indicate the creditable earnings for member employees, the amounts paid on behalf of members, and the amounts paid by members.
- D. Ensure enrollment of eligible employees into PERS at appointment (Government Code 20281).
- E. Monitor positions excluded by CalPERS (Government Code 20322).

- F. Concerning offering early retirement, or golden handshake, demonstrate and certify to the Superintendent of Public Instruction that the formal action taken would result in a net savings to the county office of education.

G. STRS - Report

1. STRS provides a *Monthly Contribution File Submission Schedule* at the beginning of the school year. This schedule contains monthly F496 file due dates based on Education Code Section 23005.
 - If data is received in the STRS office after the due date, it will be considered delinquent and the submitting agency will be subject to penalty and interest (see *CalSTRS Penalties and Interest Employer Reference Guide*).
2. STRS provides a *Contribution Remittance Schedule* at the beginning of the school year that includes due dates for contributions based on a monthly pay period, per Education Code Section 23002.
 - If contributions are received in the STRS office after the due date, they will be considered delinquent and will be subject to penalty and interest (see *CalSTRS Penalties and Interest Employer Reference Guide*).
3. At the beginning of each month, a computer report is generated that shows all retirement data from the previous month's payroll.
 - a. The computer report shows:
 - i. Members' names and social security numbers.
 - ii. Members' pay rates.
 - iii. Members' earnings for the month.
 - iv. Members' contribution rate.
 - v. The amount of each member's contribution.
 - vi. The dates of the period of service.
 - vii. Other member information.
 - viii. Type of payment (compensation).
 - b. STRS defines the fields that are included in the report, which shall comply with CalSTRS' F496 File Layout.
 - c. The county office staff review the information entered in each field of the computer report to determine that the information is reasonable based on the directions from STRS.

CalPERS and CalSTRS

- d. The retirement file must be submitted electronically to CalSTRS and be checked for four different integrity and rule types: integrity checks, business rules, variance rules, and warnings. Integrity check, business rule and variance rule errors must be corrected before the file is transmitted to CalSTRS; warnings are not required to be corrected (see *SEW F196 File Specification* for details).

H. STRS Remittance

1. The county office staff prepare the initial remittance(s) and final remittance to CalSTRS and submit it through the CalSTRS Remittance Advice and Pay California.com website.
2. The initial remittance is based on the initial report of the total members' and employers' contributions and must equal at least 95% of those combined amounts.
 - Member and employer contributions are due in the STRS office no more than five working days following the period covered by the monthly report upon which the compensation earned during the period is being reported and from and upon which contributions are due.
 - Contributions must be received by 3 p.m. Pacific Time or they will be considered received the following working day.
 - The portion of contributions due on the fifth working day but not received by 3 p.m. Pacific Time on the fifth working day will be considered received on the sixth working day and therefore will be late.
3. The remaining 5% of contributions due is remitted to STRS fifteen working days following the period covered by the monthly report.

I. PERS Report

1. At the beginning of each month, a computer report is generated that shows all payrolls from the previous month. This report shows:
 - i. Members' names and social security numbers.
 - ii. Members' pay rates.
 - iii. Members' earnings for the month.
 - iv. Members' contribution rates.
 - v. The total amount of each member's contribution.
 - vi. The dates of the period of service.
 - vii. Other member information.

viii. Type of payment (compensation).

2. The county office staff review the information entered in each field of the computer report to determine if the information is reasonable based on the directions from PERS. The file must also go through an errors and exceptions check in my|CalPERS.
 - a. Payroll record errors must be corrected before the final/production file is posted to my|CalPERS.
 - b. Payroll record exceptions should be reviewed and corrected if needed, but clearing them is not required to post the final/production file to my|CalPERS.
3. The retirement file is submitted to PERS via the copy forward method or file upload method in my|CalPERS by the 30th day following the period covered by the monthly report. To report via file upload, the file must be in XML format and meet the guidelines set by PERS.

J. PERS – Remittance

1. PERS requires a payment of 90% of the total of the employees' and employers' contributions within 15 calendar days after the close of a service period.
2. The remaining amount is paid by the 30th calendar day after the close of a service period.

III. CHARTER SCHOOLS

- A. Education Code Section 47611 provides guidance regarding charter schools that make CalSTRS and CalPERS available to their employees.
- B. Education Code Section 47611.3 requires the chartering authority to create the reports needed for CalSTRS and CalPERS.
 1. The county superintendent of schools, employing agency, or school district that reports to CalSTRS or CalPERS must submit the required reports on behalf of the charter school.
 2. These agencies may charge the charter school for the actual costs of the reporting services.
- C. Sample documents used by one county office of education for charter schools are shown at the end of this section.

IV. LEGAL CITATIONS

- A. Education Code

CalPERS and CalSTRS

- Title 1, Division 1, Part 13

B. Government Code

- Title 2, Division 5, Part 3

PERS and STRS • Charter Schools

Sample Document

Charter School STRS Reporting Requirements

_____ requires the following for _____ County Charter Schools STRS reporting:

These requirements and/or associated fees and charges may be changed at any time subject to the sole discretion of _____.

TESTING REQUIREMENTS:

Prior to _____ setting a date for STRS processing the following conditions must have been met:

The charter must submit:

- A. The required board adopted resolution (See Attachment A.)
- B. The Charter School Self-Assessment Checklist for Participation in STRS (See Attachment B.)
- C. An acceptable test electronic data submission in accordance with the STRS file format prescribed in Attachment C.
- D. An original signed copy of this document.

CONTRIBUTIONS:

1. A check payable to _____ in the amount of total STRS contributions (employee/ employer) must be received by third working day of the month following the pay period.

REPORTING REQUIREMENTS:

1. The following required documentation is due by the third working day of the month following the pay period:
 - a. STRS report via electronic data submission and a hard copy of the report. The electronic data must be readable and submitted in the required format. Attach a spreadsheet stating total STRS earnings, creditable earnings, employee contributions, employer contributions, “buy backs” (if non-sheltered) and any arrears.
 - b. Monthly Payroll Register.
 - c. Copies of all teacher/management contracts.
 - d. Compensation/salary schedule.
2. The charter school is responsible for correcting all exceptions reported on the Monthly Contribution Report Exception Corrections (Notification), which must be included on the next electronic data submitted.
3. STRS may impose penalties for a reporting timeline violation or whenever the county-wide reported line errors exceed 4.5% or the ID errors exceed 2.0%. Any penalties incurred due to a charter school violation of required timelines or allowable error percentages will be deducted from the next state apportionment.
4. At least thirty (30) days prior to the last working day of the month the charter must request approval by STRS to report as credible salary any one time payments (refer to STRS manual).
5. Two times a year (September and April), STRS requires a member address submission. The charter school will be notified when the address data submission is due to the county office. The data will be merged and one submission will be forwarded to STRS.

PERS and STRS • Charter Schools Sample Document

6. The charter school is required to work directly with the sponsoring employer or county office.

STRS FORMS:

1. STRS retirement, refund, death, and disability forms must be completed by the charter school and submitted to the county office for signature.
2. MR-87 forms must be submitted to the county office for processing.
3. The charter school must order all STRS refund, retirement packets, booklets and forms directly from STRS.

FEES:

1. Electronic data submission fee is \$88.00 per data file submitted. Payment must be submitted with each data submission.
2. MR-87 submission fee is \$5.00 per MR-87 submitted. Payment must be submitted with MR-87.
3. Other charges – COE will invoice charter school. Payments not received within 30 days of invoice will be deducted from next State Apportionment.

Programming Support – \$100 per hour

Technical Support – \$ 90 per hour

Acknowledgement:

_____ Charter School hereby agrees to all of the foregoing terms and conditions of STRS reporting in _____ County.

Date _____ Signature _____

Authorized Charter School Representative

Attendance Accounting

I. OVERVIEW

A. The Role of Attendance Accounting

Local educational agencies (LEAs) keep records of daily attendance of pupils and absences for two main reasons:

1. To ensure the proper allocation of state funds.
2. To document compliance with state compulsory attendance laws.

B. Average Daily Attendance

The basic measure of attendance in California's school system is known as average daily attendance or a.d.a.

1. A.d.a. is computed as the number of student-days of creditable attendance divided by the number of days school was in session. For certain programs there are fixed divisors established in law.
2. For each unit of verified a.d.a., as of a specified date, LEAs receive an amount of apportionment funding from the state.

C. Record keeping

1. LEAs maintain their attendance records:
 - a. Using software designed specifically to track daily attendance and compute periodic totals, or
 - b. Using the *State School Register*. The *State School Register* is a manual record book that teachers use to record daily attendance.
2. LEAs are required to have their attendance systems approved by the California Department of Education (CDE) if they are using any system other than the *State School Register* in a self-contained K-8 classroom.

D. Reporting

1. The school year begins on the first day of July and ends on the last day of June.
Education Code Section 37200

Attendance Accounting

2. A school month is 20 days or four weeks of five days each, including legal holidays but excluding weekend makeup classes. For the purposes of counting attendance only in providing for a school calendar the winter vacation period, or any portion thereof, may be excluded by the school district in the definition of a school month. Education Code Section 37201
3. Education Code Section 41601
 - a. LEAs are required to report to the Superintendent of Public Instruction (SPI) during each fiscal year the a.d.a. of the LEA for all **full school** months during:
 - i. The period between July 1st and December 31st, inclusive. This is known as the first period report for the first principal apportionment or P-1.
 - ii. The period between July 1st and April 15th, inclusive. This is known as the second period report for the second principal apportionment or P-2.
 - iii. The period between July 1st and June 30 is known as the annual period.
 - b. LEAs report attendance through the last full school month on or before the identified dates.
4. Education Code Section 41601 requires LEAs to prepare each attendance report in accordance with instructions on forms prescribed and furnished by the SPI.

E. Holidays

1. Education Code Sections 37220 – 37222 prescribe the holidays for public schools.
2. The governing board of a school district, by adoption of a resolution, may revise the date upon which the schools of the district close in observance of the holidays identified in Education Code Section 37220 (except for Veterans Day).

F. Emergencies and Apportionment Credit

1. When emergency conditions force schools to close, or when an emergency materially decreases attendance at schools that remain open, districts can apply to the SPI to receive normal apportionment credit and to be credited as complying with instructional time requirements for longer day and year incentive funding.
2. Education Code Section 41422 allows a district to file a *Request for Allowance of Attendance Due to Emergency Conditions* (Form J13-A) if it was prevented from maintaining its schools during a fiscal year for at least 175 days or is required to operate sessions of shorter length than otherwise prescribed in law because of:

Attendance Accounting

- a. Fire, flood, earthquake, or epidemic, or
 - b. Because of any order of any military officer of the United States or of the state to meet an emergency created by war, of any civil officer of the United States, of the state, of any county, city and county, or city authorized to issue that order to meet any emergency created by war, or
 - c. Because of other extraordinary conditions, or
 - d. Because of inability to secure or hold a teacher, or
 - e. Because of the illness of the teacher.
 - f. These facts must be shown to the satisfaction of the SPI by the affidavits of the members of the governing board of the school district and the county superintendent of schools.
3. Education Code Section 46390 allows a district to file a *Request for Allowance of Attendance Because of Emergency Conditions* (Form J-13A) :
 - a. Where a school district maintaining more than one school is closed for a part of a term by order of a city or county board of health or of the State Board of Health, or
 - b. Because of fire, flood, impassable roads, epidemic, or other emergency, or
 - c. By an order provided for in Education Code Section 41422.
4. Education Code Section 46391 allows a district to file a *Request for Allowance of Attendance Because of Emergency Conditions* (Form J-13A):
 - a. Whenever any attendance records of any district have been lost or destroyed making it impossible for an accurate report on average daily attendance for any fiscal year to be rendered.
 - b. These facts must be shown to the satisfaction of the SPI by the affidavits of the members of the governing board of the school district and the county superintendent of schools.

Attendance Accounting

5. Education Code Section 46392 allows a school district, county office of education, or regional occupational center or program, to file a *Request for Allowance of Attendance Because of Emergency Conditions* (Form J-13A) whenever the average daily attendance has been materially decreased during any fiscal because of any of the following:
 - a. Fire
 - b. Flood
 - c. Impassable roads
 - d. Epidemic
 - e. Earthquake
 - f. The imminence of a major safety hazard as determined by the local law enforcement agency.
 - g. A strike involving transportation services to pupils provided by a nonschool entity.
 - h. An order provided for in Education Code Section 41422.
 - i. In the event of a state of emergency declared by the governor in a county, any decrease in a.d.a. in the county below the approximate total average daily attendance that would have been credited to a school district, county office of education, or regional occupational center or program had the emergency not occurred is deemed material.
 - j. The law requires these facts to be established to the satisfaction of the SPI by affidavits of the members of the governing board of the school district or county office of education, and the county superintendent of schools.
6. California Code of Regulations (CCR) Title 5, Section 428 establishes that a decrease in a.d.a. is material for the purposes of Education Code Section 46392 when at least ten percent (10%) of the students who would normally attend school do not attend on any one day. Any decrease in attendance at a necessary small school is material for the same purpose.

Attendance Accounting

II. COUNTY RESPONSIBILITIES

A. Reporting Attendance

1. Beginning with the 2002-2003 fiscal year, the California Department of Education (CDE) provided new software packages to school districts, county offices of education, and charter schools in order to collect, consolidate, and edit local attendance data required by the CDE for determining the apportionment for K-12 programs.
2. This software is available to download from the CDE web page.
3. The attendance software package, *Attendance Software and Revenue Software*, uses new reports of attendance to replace the hard copy attendance forms (J-18/19, J-18/19CH, J-27/28, etc.) previously submitted to the CDE.
4. *School District Attendance Data Collection* software
 - a. This software is used to report the attendance data for school districts and charter schools to the county office of education.
 - b. Some small school districts continue to submit hard copy forms to the county. The county then enters this data into the software for the district.
 - c. The Certification Form
 - i. A certification form is printed and signed by the district superintendent or charter school administrator.
 - ii. The certification form is identified with a certification number.
 - iii. For charter schools, the chartering entity's superintendent also signs the certification form.
 - iv. The signed certification form is forwarded to the county office of education for review. The county superintendent signs the certification form and maintains it on file in the county office.
5. *Attendance Software and Revenue Software*
 - a. This software is used by county offices of education to collect county office of education, school district, and charter school attendance data.
 - b. The county office staff verify the certification number identified on the certification form and review the attendance data received from school districts and charter schools.

Attendance Accounting

- i. If the county office revises the attendance data, the county office prints a new certification form that is identified with a new certification number.
- ii. The revised attendance data and the new certification form are forwarded to the school district or charter school.
 - A) The superintendent (and charter school administrator if appropriate) signs the new certification form and returns it to the county office of education.
 - B) The county superintendent signs the new certification form and maintains it on file in the county office.
- c. The county office of education staff export the attendance data to the CDE. The CDE establishes the due dates and these dates are approximately (due to changes from year-to-year):
 - i. The P-1 report is due to the state no later than January 15.
 - ii. The P-2 report is due to the state no later than May 1.
 - iii. The annual report is due to the state no later than July 15.
- d. County offices of education use this software to enter their own attendance data as well as entering the data for other school districts and charter schools for which they are responsible.
 - i. If the county office of education enters the data on behalf of a school district or charter school, the certification forms are printed and forwarded to the superintendent (and charter school administrator if appropriate) for review and signature.

B. Attendance Analysis

- 1. County offices of education are not required to perform any specific analysis of the attendance data before it is submitted to the CDE.
- 2. The types of analysis that county offices of education perform include:
 - a. A comparison of the total P-1, P-2, and annual attendance to the total attendance reported for the same period in the prior year.
 - b. Comparison of CBEDS data to P-1 and P-2 using historical ratios.
 - c. A review of any categories of attendance with no ADA reported, or any ADA in categories not previously reported, to determine that the information is reasonable.

Attendance Accounting

3. Some counties have a staff person assigned to review the attendance information each month for all districts in the county. This person may also provide training and make visits to the sites to answer questions and review the attendance documents at the site.

C. Emergency Waivers

1. School districts request approval for apportionment credit for school closure or a material decrease in a.d.a. by completing the Form J-13A, *Request for Allowance of Attendance Because of Emergency Conditions*.
2. Information on filing a request and completing the Form J-13A is available on the CDE web site.
3. When the district staff have completed the information on the form, a majority of the governing board members sign the *Affidavit of Governing Board Members* on the form.
4. The completed form is then submitted to the county office of education. The county superintendent completes the *Affidavit of County Superintendent of Schools* section and forwards the completed form to the CDE.

I. OVERVIEW

A. Introduction

The Local Control Funding Formula (LCFF) was adopted by the State of California in June 2013 to replace the previous K-12 finance system of revenue limit funds and categorical programs. This is the largest change to California school finance in almost 40 years. The LCFF was designed to be simple and transparent while allowing maximum flexibility in allocating resources to meet local needs. As under the revenue limit formula, the LCFF is funded by a combination of local property taxes, the Education Protection Account (EPA), and general-purpose state aid. LCFF funding constitutes the majority of unrestricted revenue in a school district's budget. The new formula began in 2013-14, but will be phased in until the state's economy recovers sufficiently to fully fund the LCFF; full implementation is projected to take eight years.

B. Funding Provisions

1. Average Daily Attendance (ADA)

Funding for districts and charter schools is provided based on average daily attendance (ADA) rather than enrollment. An amount of funding is provided per unit of ADA, but may also include some add-on amounts. Funded ADA for districts is usually based on prior year second period (P-2) ADA or current year P-2 ADA, whichever is greater. A few programs — such as nonpublic school, community day school and extended year special education ADA — are funded based on annual ADA. Charter schools are funded based on current year ADA.

2. Target

The LCFF calculation begins with estimating the LCFF under full funding — otherwise known as the target. The LCFF target is the total of an LEA's base grant and/or necessary small school (NSS) allowance, supplemental grant, concentration grant, and add-on funding.

Base Grant

Under LCFF, all districts and charter schools receive uniform base grants, by grade span, for grades K-3, 4-6, 7-8, and 9-12. An additional grade span adjustment to the base is provided for grades K-3 (10.4% of the base amount) and grades 9-12 (2.6% of the base amount). Each year the target base rates will be updated for cost-of-living adjustments.

Necessary Small Schools (NSS)

Districts with qualifying schools that serve a small population of students and are geographically isolated are provided a necessary small schools allowance in lieu of

Local Control Funding Formula

the base grant and grade span adjustment. Some schools that previously qualified as an NSS may no longer qualify under new LCFF requirements.

Supplemental Grant

Additional funding is provided based on the unduplicated count of pupils who are eligible for free and reduced-price meals, or who are classified as English learners, or who are foster youth. The supplemental grant is equal to 20% of the adjusted grade span base grant multiplied by the unduplicated pupil percentage (UPP).

Concentration Grant

If the LEA's unduplicated pupil count percentage (UPP) exceeds 55%, the district or charter school will receive a concentration grant. The concentration grant is equal to 50% of the adjusted grade span base grant multiplied by the amount by which the UPP exceeds 55%. For charter schools, the UPP for concentration grants is capped at the lesser of the charter school's UPP or the highest UPP of school districts in which the charter school is physically located.

Add-on Funding

Under LCFF, funding for transportation and for the Targeted Instructional Improvement Grant (TIIG) is maintained as permanent add-ons.

3. Economic Recovery Target (ERT)

Some districts or charter schools would have received more funding under the old funding model than under the LCFF. In this case, they are eligible for an economic recovery target (ERT) payment if the per-ADA funding under the old system (undeficit and projected to 2020-21) is below the 90th percentile. One-eighth of the ERT payment total is added to the LCFF target or LCFF transitional entitlement in 2013-14, and an additional one-eighth of the total is added each subsequent year until the full ERT payment amount is reached, at which time the full payment becomes a permanent addition.

4. Transition

Floor

Once the target is known, it is compared to an LEA's historical funding level as adjusted for changes in student population. The LCFF floor is based on the current year funded ADA multiplied by the 2012-13 revenue limit and prior year gap funding rates, plus the 2012-13 categorical funding subsumed into LCFF.

Gap Funding

If an LEA's LCFF floor is lower than the LCFF target, the difference is multiplied by the percentage available in that year's state budget to increase funding for the LCFF. This determines the current year gap funding. Once funded, LEAs will continue to receive gap funding in subsequent years, included in their floor as prior year

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gap funding adjusted for changes in ADA. LEAs with an LCFF floor that exceeds their target will receive no gap funding and will be funded at target from that point forward.

ERT Funding

Beginning in 2013-14, LEAs receiving ERT payments will receive one-eighth of the total ERT, and this amount will increase by an additional one-eighth each subsequent year until the full ERT amount is reached.

LCFF Transition Entitlement

For most LEAs the LCFF transition entitlement is the sum of their floor, gap funding, and ERT funding. When an LEA's floor funding equals or exceeds their LCFF target, or if the LEA had no gap in the previous year, the LCFF transition entitlement is composed of the LCFF target and, if eligible, ERT funding.

Additional State Aid for Minimum State Aid (MSA)

LEAs will receive minimum state aid (MSA) funding of no less than the total received in 2012-13 from revenue limits, as adjusted for changes in ADA and property taxes, and 2012-13 categorical funding subsumed in the LCFF. If applicable, the LCFF state aid is increased to reach the minimum level of state aid. For schools that previously qualified as an NSS but no longer qualify under the new LCFF requirements, the amount of NSS funding received in 2012-13 will be included in the district's MSA calculation. Beginning in 2014-15, if a charter school's total transfer in lieu of property taxes plus MSA exceeds its LCFF entitlement, the charter school's MSA will be reduced by the excess amount.

C. Funding Sources

The LCFF is funded from a combination of local tax revenue, EPA, and state aid.

Local Property Taxes

Local property taxes consist primarily of the district's share of the maximum 1% property tax assessed on the secured and unsecured tax rolls, but could include any of the following additional property taxes:

- a. Homeowners' exemptions
- b. Timber yield taxes
- c. Other subventions
- d. Prior years' taxes
- e. Supplemental taxes
- f. Penalties and interest from delinquent taxes
- g. Education Revenue Augmentation Fund (ERAF)

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- h. Remaining distributions from former redevelopment agencies (RDAs)
- i. In-lieu of property tax transfers to charter schools

Education Protection Account (EPA)

EPA provides state aid funding pursuant to Proposition 30, which increased the sales tax by 0.5% through June 30, 2021 and increased the income tax rate on the highest 1% of earners through December 31, 2018. EPA is based on an LEA's proportionate share of adjusted revenue limit or charter school general-purpose entitlement in the LCFF floor and is a minimum of \$200 per ADA.

General Purpose State Aid

State aid is calculated by subtracting property taxes and EPA from the LCFF transition entitlement. If applicable, the state aid is increased to reach the LCFF minimum state aid level.

D. Basic Aid

1. Determining Basic Aid Status

The definition of basic aid or community-funded has not changed in essence with the introduction of the LCFF. Under the revenue limit model, local property taxes were applied against a districts' entitlement to determine if any amount remained to be funded with state aid. If the district's property taxes equaled or exceeded the entitlement, the district was considered community-funded and eligible for basic aid of \$120 per student.

Under the LCFF, the same method is applied: property taxes are the first source of funding, with state aid making up any difference. The LCFF differs in that it provides an element of minimum state aid for community-funded districts, which must be subtracted from the LCFF transition entitlement before applying local property taxes. If local property taxes equal or exceed the remaining entitlement, the district is considered community-funded (basic aid).

2. Minimum State Aid

The LCFF includes a provision that no district or charter school shall receive less state aid, as adjusted for changes in ADA, than was received in 2012-13. For community-funded districts this provision translates into minimum state aid equal to the amount received in 2012-13 for the categorical programs that have been subsumed into the LCFF, less the fair share reduction.

The fair share reduction was recalculated by the California Department of Education (CDE) for 2014-15 and will remain fixed at this rate for the duration of the transition to full LCFF implementation. Beginning in 2014-15, the fair share reduction is limited to a maximum of the total categorical funding subsumed into the LCFF.

3. Miscellaneous Basic Aid Revenues

The adoption of the LCFF did not eliminate any of the programs that previously provided general-purpose state aid outside of the revenue limit formula. The LCFF does, however, change the manner in which the state aid entitlement is calculated for these miscellaneous basic aid revenues.

The following basic aid miscellaneous revenues all provide state aid equal to 70% of the district of residence LCFF base grants transitional or funded amount (excluding supplemental and concentration grants) until full implementation of the adjusted base grant when LCFF is fully implemented.

- a. Basic Aid District of Choice
- b. Basic Aid Court-Ordered Voluntary Pupil Transfer
- c. Basic Aid Charter School Supplement
- d. Basic Aid Open Enrollment
- e. Basic Aid Supplement Calculation

During transition, when the district of residence is not funded based on the target formula in the prior year, the calculation for the adjusted base grant is to multiply the ratio of the district of residence's total base grant to its LCFF entitlement.

The basic aid supplement funding amount continues to be limited by the percentage of nonresident ADA in the charter multiplied by the in-lieu of tax transfer for nonresident ADA, reduced by the district's state aid for LCFF.

E. Data Sources

1. Principal Apportionment Data Collection (PADC)

The PADC software is provided by CDE and is used to report data that is used to calculate funding for the LCFF and special education (AB 602) including:

- Attendance data for school districts, charter schools, and county schools and programs
- Amount of ADA that shifted between a district and its charter school(s) from the prior year to the current year
- School district and county tax data
- Special education infant and extraordinary cost pool data
- Charter school physical location
- Necessary small school ADA and number of teachers/FTE

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- Necessary small school funding selection

The CDE PADC Software is available on the CDE website in the *Finance and Grants* section under *Software and Forms* (<http://www.cde.ca.gov/fg/sf/pa/>).

2. California Longitudinal Pupil Achievement Data System (CALPADS)

CALPADS is the state's longitudinal data system used to maintain individual-level data including student demographics, course data, discipline, assessments, staff assignments, and other data. The unduplicated student count used in LCFF calculations is derived from information reported in CALPADS as part of the Fall 1 submission based on the count of students on the first Wednesday in October. The deadline for the Fall 1 certification is in mid-December, and there is one amendment window, usually from mid-December through mid-February.

3. Statute

Several data elements used in LCFF calculations are specified by statute including:

- Base grant amounts
- COLA
- Grade span adjustment percentages
- Supplemental and Concentration percentages
- Economic Recovery Target COLA rates

The gap funding appropriation amount is determined each year in the Budget Act. When the CDE certifies LCFF calculations, the total gap funding is divided by the statewide LCFF gap to determine the gap funding percentage rate. Each year's gap funding rate is final as of the second period (P-2) certification. The Department of Finance provides estimated gap funding rates for future years.

4. CDE Certified Data

The LCFF floor calculations use 2012-13 Revenue Limit and categorical program entitlement amounts as of the 2012-13 annual certification period.

F. Calculations

1. LEA Projections

School districts, charter schools and COEs calculate LCFF estimates to use in budget projections. The LCFF Calculator located on the FCMAT website is the tool recommended for calculating and assessing a district's sensitivity to risk factors.

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The calculator provides input fields for various scenarios, allowing districts to create multiple models when building multiyear projections.

2. California Department of Education (CDE) Certifications

The CDE calculates the LCFF amounts for LEAs in a series of apportionment calculations that adjust the flow of state funds throughout the year as information becomes known.

Advance Principal Apportionment

Certified by July 20. Primarily based on prior fiscal year funding and establishes monthly state aid payments for July through January.

First Principal Apportionment (P-1)

Certified by February 20. Based on the first period (P-1) data reported in November through January and establishes monthly state aid payments for February through May.

Second Principal Apportionment (P-2)

Certified by July 2. Based on second period (P-2) data reported in April and May and determines the final state aid payment for the year in June.

Annual Principal Apportionment (Annual)

Certified by February 20 of the subsequent year. Based on annual data reported in July through November for the prior year. Determines the state aid payments for prior year adjustments based on the difference between the annual and P-2 amounts to be paid in February through May.

Recertified Principal Apportionment (R-1, R-2, and R-3)

Each year's principal apportionment is recertified three times: R-1 is certified by July 2 of the subsequent year, R-2 by February 20 of the second subsequent year, and R-3 by July 2 of the second subsequent year. State aid differences are sent as prior year adjustments on the same timeline as the other principal apportionments.

G. Use of LCFF Funding

1. Local Control Accountability Plan (LCAP)

LEAs must prepare an LCAP, developed through a community process, which describes how they intend to meet annual goals for students and address state and local priorities. The LCAP aligns goals with the annual budget and guides the use of LCFF funding.

2. Spending Requirements for Supplemental and Concentration Grants

Based on the unduplicated count of low-income, English learner, and foster youth students, the LCFF provides additional funding in the form of supplemental and concentration grants. LEAs must demonstrate in their LCAP how they will increase or improve services to these students in proportion to the increase in funds. The State Board of Education approved regulations that detail how to calculate the minimum level of increased or improved services as a percentage, known as the Minimum Proportionality Percentage (MPP). The FCMAT LCFF Calculator includes a tool to help LEAs calculate the supplemental and concentration grants and the MPP.

H. Compliance Requirements

1. Transitional Kindergarten (TK) and K–3 Class Size Averages

The base grant for the K-3 grade span increases by 10.4% of the base amount. The intent of this adjustment is to cover the costs associated with smaller class sizes in grades K-3, including transitional kindergarten (TK), to an average student-to-teacher ratio of no more than 24-to-1 (or a locally bargained alternative ratio) at each school site upon full implementation of the LCFF.

During implementation of the LCFF, and as a condition of receipt of this adjustment, districts will be required to do one of the following:

1. Have a class size ratio of 24-to-1 or less at each school site in 2013-14 and maintain that ratio in the future.
2. Collectively bargain an alternative class size ratio for this grade span.
3. Show adequate progress toward meeting the goal of 24-to-1 each year until full implementation of the LCFF.

Charter schools are not subject to this condition of apportionment.

2. Necessary Small Schools (NSS)

In order to receive the NSS allowance, all necessary small schools must meet distance eligibility requirements, including unified districts with a single high school and elementary districts with a single school. Under LCFF the definition of the nearest other public elementary or high school, for NSS eligibility based on distance, is amended to include charter schools. A review of the determinative factors to maintain necessary small high school status is required every two years (the prior legal requirement was every five years).

3. Transportation

Of the funds received for home-to-school transportation, a school district is required to expend no less than the amount it expended for home-to-school transportation in the 2012-13 fiscal year or the amount of revenue received in 2012-13, whichever is less. The maintenance of effort requirement applies only to spending up to the amount of the transportation entitlement received in 2012-13; contributions to transportation programs above the amount of the entitlement are not subject to the maintenance of effort requirement.

II. COUNTY OFFICE OF EDUCATION RESPONSIBILITIES

A. Principal Apportionment Data Collection

1. Certified Data Files

The COE is responsible for collecting and certifying to the CDE any data used to calculate funding for the LCFF as part of the Principal Apportionment Data Collection (PADC) software submission. The COE will receive principal apportionment data from school districts and the county auditor/controller (local taxes), review this data, complete additional data entry as appropriate, and submit certified data to the CDE. The amount of review that COE staff perform on the collected data may vary by county. A calendar of deadlines is available annually from the CDE and is posted on the CDE website.

2. Necessary Small School Certification Selection

The COE is responsible for certifying the selection of schools to which the NSS funding model applies. The COE will specify the Education Code section (from sections 42280 through 42286) that qualifies the selected school for the NSS funding formula. These education codes contain both distance and size requirements for qualifying for NSS funding. Three items must be completed for each school to receive NSS funding:

- a. School district reports data in the NSS entry screen.
- b. School district completes the NSS funding selection.
- c. COE completes the NSS certification selection.

3. Signed Certification Pages

Districts and charter schools must sign their certification page and submit it to their school district or COE. The COE is responsible for signing the certification pages submitted by their district(s) and/or charter school(s) and keeping them on file.

B. LCFF Spending Plans

County offices of education are responsible for oversight and approval of district LCAPs using three criteria for LCAP approval:

1. Adherence to the State Board of Education (SBE) template.
2. Sufficient expenditures in the budget to implement actions in the LCAP, based on projected costs included in the plan.
3. Adherence to the SBE expenditure regulations for funds apportioned on the basis of the number and concentration of unduplicated pupils.

III. LEGAL CITATIONS

Education Code

- Sections 42238–42251 Apportionments and Revenue Control (LCFF)
- Sections 42280–42289.6 Funding for Small School Districts
- Section 47635 In-lieu of Property Tax Transfers
- Sections 52060–52077 Local Control and Accountability Plans

California Code of Regulations

- CCR Title 5, sections 15494–15497
Local Control and Accountability Plan and Spending Requirements for Supplemental and Concentration Grants
- CCR Title 5, sections 15498–15498.3
LCFF Kindergarten and Grades 1-3 Grade Span Adjustment (Class Size Requirements of the LCFF)

Constitution of the State of California

- Article XIII, Section 36
Proposition 30, The Schools and Local Public Safety Protection Act of 2012 (Education Protection Account)

I. OVERVIEW

A. IDEA

1. The federal Individuals with Disabilities Education Act (IDEA, Public Law 105-17) governs special education. This is the legislation that provides that all students who are eligible for special education must be provided with a free appropriate public education in the least restrictive environment.
2. All special education programs must adhere to the procedural safeguards and standards in IDEA.

B. SELPAs

1. In California, local educational agencies join together in Special Education Local Plan Areas (SELPAs) to achieve sufficient size and scope to effectively provide the full continuum of placement and program options called for in federal law.
 - a. The service area covered by the local plan is known as the special education local plan area.
 - b. The SELPA is responsible to administer local plans and administer the allocation of funds. Education Code Section 56195
 - c. SELPAs are responsible for planning and coordinating services for all children with disabilities, from birth to twenty-two years of age.
 - d. The SELPA is responsible for ensuring that each district within the local plan area develops and implements content and performance standards appropriate to pupils requiring special education services that are aligned to state standards and guidelines.
2. There are 58 counties in California and more than 120 SELPAs in the state.
 - a. Every district in the state is in a SELPA.
 - b. In some counties, the county office of education also serves as the SELPA. In other counties, there may be more than 10 SELPAs in the county.
 - c. SELPA governance structures vary in form, such as:
 - i. Multi-district SELPAs
 - ii. Multi-district/county office SELPAs
 - iii. Single district SELPAs
 - iv. Multi-district/multi-county SELPAs

* Minor revisions made 2/2015 in keeping with implementation of the Local Control Funding Formula

- v. Countywide SELPAs with Joint Powers Agreements (JPAs)
- vi. All Charter School LEA SELPA(s)
- d. If the county office also serves as the SELPA, the county office will operate special education programs in addition to their responsibilities as the county SELPA.
- e. A single-district SELPA must have 30,000 or more pupils in grades kindergarten through 12.
- f. Each SELPA has a policy-making body that is designated in the local plan and makes policy decisions, approves the SELPA budget, and establishes the guidelines for decisions such as staffing patterns, etc.

C. AB 602

1. On October 10, 1997, Special Education Reform Act, Assembly Bill (AB) 602 was signed into law.
2. AB 602 reformed California's funding formula for special education.
3. Education Code Sections 56836 – 56836.05 govern the computation of the apportionments to local plan areas for special education programs operated by, and services provided by, districts, county offices and SELPAs.
4. AB 602 requires that SELPAs submit an annual service and budget plan to the state as an amendment to their local plan.
5. For multi-district SELPAs, the budget plans are a collection of the budgets of member local educational agencies that support the services described in the annual service plan.

D. The Administrative Unit (AU)

1. Each SELPA must have an Administrative Unit (the Responsible Local Agency).
 - a. The Administrative Unit (AU) is the legal entity that receives funds and is responsible for ensuring that every eligible student receives services.
 - b. The member districts determine which entity will serve as the AU when the SELPA is formed.
2. Education Code Section 56836.01 prescribes the responsibilities of the administrator of each SELPA.
3. These duties include:

- a. Ensuring program availability for all children with disabilities.
 - b. Ensuring that a system exists at the regional level for identification, assessment and placement of disabled students.
 - c. Community advisory committee support.
 - d. The fiscal administration of the annual budget plan and annual allocation plan for multi-district SELPAs.
 - e. The allocation of state and federal funds allocated to the SELPA.
 - f. The required reporting and accounting requirements.
4. The AU may be a school district or the county office of education; most frequently, the AU is a county office of education.
 5. An AU may serve more than one SELPA and there are county offices of education that serve as the AU for more than one SELPA in their county.

II. COUNTY OFFICE RESPONSIBILITIES

A. Education Code Section 56140

The county office of education is required to:

1. Initiate and submit to the Superintendent of Public Instruction (SPI) a countywide plan for special education that demonstrates the coordination of all local plans submitted pursuant to Education Code Section 56200 and which ensures that all individuals with exceptional needs residing within the county will have access to appropriate special education programs and related services.
 - The county office is not required to submit a countywide plan when all the districts within the county elect to submit a single local plan.
2. Within 45 days, approve or disapprove any proposed local plan submitted by a district or group of districts within the county or counties. The county office approval will be based on the capacity of the district or districts to ensure that special education programs and services are provided to all individuals with exceptional needs.
 - a. If approved, the county office will submit the plan with comments and recommendations to the SPI.
 - b. If disapproved, the county office will return the plan with comments and recommendations to the district.
 - i. The district may appeal to the SPI to overrule the county office's disapproval.

- ii. The SPI will make a decision on an appeal within 30 days of receipt of the appeal.
 - c. Local educational agencies are not authorized to implement the plan without approval of the county office or a decision by the SPI to overrule the disapproval of the county office.
- 3. Participate in the state on-site review of the district's implementation of an approved local plan.
- 4. Join with districts in the county that elect to submit a plan or plans pursuant to subdivision (c) of Education Code Section 56195.1. Any plan may include more than one county, and districts located in more than one county.

B. Education Code Section 56195.5

- 1. Each county office has authority over the special education program it directly maintains, consistent with the local plan submitted pursuant to E.C. Section 56195.1.
- 2. Any county office may provide for the education of individual pupils in special education programs maintained by other districts or counties.

C. Education Code Section 48850

Every county office of education is required to make available to agencies that place children in licensed children's institutions information on educational options for children residing in licensed children's institutions within the jurisdiction of the county office.

I. OVERVIEW

- A. Under federal law, a local educational agency (LEA) is eligible for assistance under Part B of the Individuals with Disabilities Education Act (IDEA) if it submits a plan that provides assurances to the state educational agency that it meets specified funding conditions, one of which is maintenance of effort (MOE). (ref. 20 U.S.C. Sec. 1413)
- B. The MOE requirement is that Part B funds:
- Shall be used only to pay the excess costs of providing special education and related services to children with disabilities;
 - Shall be used to supplement state, local, and other federal funds and not to supplant such funds; and
 - Shall not be used, except in specified cases, to reduce the level of expenditures for the education of children with disabilities, on an aggregate or per capita basis, made by the LEA from combined state and local funds, below the level of those expenditures for the preceding fiscal year, or from local funds only, below the level of those expenditures for the base year. (ref. 34 Code of Federal Regulation (CFR) Section 300.203)
- C. A LEA can reduce special education expenditures under specific circumstances.
1. If the LEA has a reduction in the special education population, the total state and local special education expenditures can be lowered as long as the LEA can meet the MOE requirement based on a per capita test.
 - The per capita test can be met using either the state and local expenditures test, or the local expenditures test.
 2. Under federal regulations, a LEA or SELPA may reduce the level of MOE expenditures by *not more than* 50% of any increases in IDEA Part B. Section 611 funding, minus the amount of Part B funds used for early intervening services (IDEA of 2004, Sec. 613(a)(2)(C)). *The LEA must use local funds equal to the reduction, to carry out activities that could be supported with funds under the ESEA, regardless of whether the LEA is using ESEA funds for those activities.*
- D. A LEA may reduce the level of expenditures where such reduction is attributable to:
- The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel, who are replaced by qualified, lower-salaried staff (CFR Section 300-232)
 - A decrease in the enrollment of children with disabilities.

Special Education Maintenance of Effort

- The termination of the obligation of the agency to provide an exceptionally costly program of special education to a particular child with a disability, as determined by the state educational agency, because the child:
 - Has left the jurisdiction of the agency;
 - Has reached the age at which the obligation of the agency to provide a free and appropriate public education (FAPE) to the child has terminated; or
 - No longer needs the program of special education.
 - The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.
 - The assumption of cost by the high cost fund operated by the LEA under 34 CFR Sec. 300.704(c).
- E. The California Department of Education (CDE) requires two tests annually, to determine if the special education local planning areas (SELPA) and LEAs receiving Part B funds meet the MOE requirements for the level of expenditures.
- F. The Special Education Maintenance of Effort Reports (SEMOE) are part of the SACS software.
1. The first test compares the budgeted special education expenditures with the prior year's actual special education expenditures. This test is done at the beginning of the grant year and establishes eligibility to receive the grant award. The test is done at both the SELPA and LEA level.
 - a. The CDE determines that the SELPA is eligible to receive IDEA Part B funds.
 - b. The SELPA administrative units (AUs) for multi-agency SELPAs must in turn determine if participating LEAs have passed the budget to actual test.
 - c. Any LEA that does not pass the test is not eligible to receive the sub-grants.
 2. The second test compares the actual special education expenditures for the *current* fiscal year with the prior year's actual special education expenditures. This test is done after the close of the grant year and reports the SELPA's and LEA's success or failure in meeting the MOE requirement.
 - a. If the SELPA does not meet the MOE requirement, the *CDE will invoice the SELPA in the fiscal year following the fiscal year in which the SELPA fails the MOE requirement. The reduction will be equal to the amount by which the state and local spending was reduced.*

3. The tests, or comparisons as the CDE calls them, verify if the level of effort required was met on an aggregate expenditure basis or on a per capita basis. They are applied to the combined state and local expenditures and to local expenditures only. The “local expenditures only” test is not another test that must be passed, but rather an option that is available for the SELPA or LEA to use if the test based on combined state and local expenditures fails.

II. DATA USED FOR MEASURING MAINTENANCE OF EFFORT

- A. The definition of “state and local” special education expenditures using the state standardized account codes includes all expenditures paid from state and local resources charged to goals 5001 through 5770 for funds 01, 09 and 62 plus the total contributions from unrestricted revenues, Object 8980, credited to federal resources.
 1. For purposes of the MOE comparison, the California State Accounting Manual (CSAM) identifies Federal Resources that are considered state-funded and that are treated as such for this comparison.
 - a. The federal resources that were treated as state-funded in the state’s MOE comparison for 2009-2010 were 3330, 3340, 3355, 3360, 3370, 3375, 3385 and 3405.
 2. In addition to the actual expenditures coded in the LEAs financial reports, state expenditures include costs allocated to special education on the Program Cost Report that is filed as part of the year-end unaudited actuals.
 - a. The costs from the program cost report allocation are not used in the actual to budget comparisons due to the inability to project the cost in the budget process.
 3. For purposes of the MOE comparison, Object 714x (Other Tuition) commonly used for payments of excess costs to another LEA *is* excluded.
- B. The portion of “state and local” special education expenditures that is considered paid from local sources only consists of expenditures in the special education goals (5000 goals) for objects 1000-6999, 7130, 7310, 7350 and 7430-7439 plus contributions from Unrestricted Revenues, Object 8980, credited to federal resources and other transfers, objects 8091 and 8099, from unrestricted revenues to the special education program.
- C. The student count used for the per capita comparison is the December 1 unduplicated pupil count of special education students filed annually by each SELPA.
- D. Fifty percent of the increase in federal Part B funding from the prior to current year, which is used to determine any allowable reduction in expenditures.

III. MAINTENANCE OF EFFORT TESTS

- A. Test 1 (Section A in the state software) is the combined state and local expenditures test.
 - 1. This test compares combined state and local expenditures from the prior year to the current year on an aggregate or per capita basis.
 - 2. The per capita calculation is completed by dividing the total state and local expenditures by the December special education unduplicated count.
 - 3. If the difference between the two years for one or both of the comparisons, in total or per capita, is positive, the LEA *or the SELPA* met the MOE requirement.
- B. Test 1 (Section B in the state software) is the local expenditure test only.
 - 1. This test determines if the LEA *or the SELPA* met the MOE requirement based on local expenditures only.
 - a. *Test B.1. is used if the LEA was able to meet MOE for the prior reporting period under the local test. Otherwise, Test B.2 is used.*
 - 2. Test B.1 compares local expenditures from the prior year to the current year on an aggregate or per capita basis
 - 3. Test B.2 is used if the LEA was able to meet the MOE requirement for a prior reporting period using the local test. The LEA would use the most recent year when the MOE actual vs. actual test based on local expenditures was met. If an LEA has not previously used this test to meet the level of effort requirement, the earliest base year that can be used is 2006-07.
 - 4. The per capita calculation for both comparisons is completed by dividing the total local expenditures by the December special education unduplicated count.
 - 5. If the difference between the two years for one or both of the comparisons, in total or per capita, is positive, the LEA met the MOE requirement.
- C. Test 2 is used if the LEA fails Test 1. Test 2 checks whether the reductions in expenditures identified in Test 1 could be offset by up to 50% of any increase in IDEA Part B Section 611 funding minus the amount of Part B funds the LEA is required to use for early intervention services.
- D. Test 3 is used upon failure to pass Test 1 and Test 2 if the reductions in expenditures were due to transactions exempt from the MOE requirement (see list of transactions that qualify above in Section 1.D.).

- E. After reviewing all sections included in the Maintenance of Effort Calculation (forms LMC-A), a LEA must select the method used to meet MOE.

IV. STATE REPORTING REQUIREMENTS

- A. To assist LEAs and SELPAs in meeting the reporting requirement, the CDE developed state software that provides *the reports* to be completed and submitted to the SELPA. The software also includes the reports necessary *for a multi-agency SELPA* to complete for reporting the SELPA MOE to the CDE. *These reports are* included as part of the SACS20xxALL year-end reporting software. The software utilizes extracts from the LEAs financial systems and manual entries as described below:
1. The prior year actual data *for the actual to actual test* needs to be manually entered from the state report for actual financial transactions (Report SEMA) submitted the preceding fall.
 2. *For LEA reports*, current year actual data is extracted from the unaudited actuals
 - a. For the actual to actual test, financial transactions *extracted from the unaudited actuals are compared with the prior year's financial transactions to determine if MOE is met for the current year.*
 - b. For the actual to budget test, the financial transactions *extracted from the unaudited actuals are considered "prior year" and are compared with the budget year's financial transactions to determine if MOE is being met for the budget year.*
 3. *For the LEA reports*, the budget information for the actual-to-budget comparison is extracted from the budget amounts input/imported into the unaudited actuals reporting period in the SACSALL software.
 4. The special education unduplicated pupil count is entered manually.
 - a. The count used for each year is the December 1st count of **the year the data is being reported for.**
 5. For Test 2, the total IDEA Part B Section 611 funding received for each year is entered manually. The software calculates the increase.
 6. Test 3 is manually completed by the LEA or SELPA.

Special Education Maintenance of Effort

- B. Every LEA and SELPA AU (*Administrative Unit*) for a multi-agency SELPA completes two reports: SEMB and SEMA. These reports consist of three LEA worksheets and three SELPA worksheets. The LEA (including the SELPA AU with regard to its own MOE data) completes the three LEA worksheets, based on its financial data in SACS, and the SELPA AU prepares the SELPA worksheets based on the SELPA members' LEA worksheets to determine if MOE requirement was met on the SELPA-wide basis.

A single-agency SELPA does not need to prepare the SELPA worksheets; its LEA worksheets are submitted to CDE as the SELPA MOE reports.

1. SEMB-Special Education MOE Actual vs. Budget Comparison

- a. This report is used to accumulate the information needed to determine if a LEA or SELPA budgeted to meet the MOE for the fiscal year that is just beginning.
- b. If the LEA is a member of a multi-agency SELPA, it submits the worksheets to the SELPA AU; if it is a single-agency SELPA, it submits them (in hard copy form) to the CDE.
- c. The SELPA AU is responsible for reviewing *its members' worksheets* and determining the LEAs' compliance with the MOE requirement and eligibility to receive Part B funding.
- d. The SELPA AU *prepares the SELPA worksheets and submits them* to the CDE. The CDE verifies that the SELPA met the MOE test and is eligible to receive IDEA Part B funds.

2. SEMA – Special Education MOE Actual vs. Actual Comparison

- a. This report is used to accumulate the information needed to determine if a LEA or SELPA met the MOE for the fiscal year that was just completed.
- b. If the LEA is a member of a multi-agency SELPA, it submits the worksheets to the SELPA AU; if it is a single-agency SELPA, it submits them (in hard copy form) to the CDE.
- c. The SELPA AU has the responsibility of reviewing *its members' worksheets* and verifying the LEAs' compliance with the MOE requirement.
- d. *The SELPA AU prepares the SELPA worksheets and submits them to CDE. The CDE verifies that the SELPA met the MOE test and that it is not liable for any reduction in actual special education expenditures paid from combined state and local sources or local sources only.*

C. The due dates for the maintenance of effort reports are as follows:

1. Report SEMB (actuals vs. budget)
 - a. LEA report is due to the SELPA AU by September 15
 - b. The SELPA report is due to CDE by October 15
2. Report SEMA (actuals vs. actuals)
 - a. LEA report is due to the SELPA AU by November 15
 - b. The SELPA report is due to CDE by December 15

V. MONITORING MOE

- A. To assist LEAs and SELPAs in monitoring their MOE compliance during the year, the SACS software also includes a MOE reporting feature for the interim periods. The report, SEMAI-Special Education MOE-Projected vs. Actual MOE Calculation, compares the current year projected special education expenditures with the prior year actual expenditures to determine if the required level of fiscal effort will be met at the end of the year.
- B. This report is not required to be submitted to the CDE.

VI. CHARTER SCHOOLS MOE REPORTING

- A. Charter schools are subject to special education MOE requirements. They will submit SEMOE or similar reports either to their SELPA AU or to their authorizing LEA. The reporting will depend on the following factors, pursuant to Education Code Section 47641: whether the charter school is participating as a LEA in a special education plan approved by the State Board of Education; whether the charter school is a public school of the LEA that granted the charter; and whether the charter school's financial data is included in the authorizing LEA's unaudited actual SACS reports or reported separately, and whether a charter school that is reporting separately from the authorizing LEA is using SACS or the Alternative Form for reporting their financial data.
 1. If the charter school is part of the authorizing LEA and its financial data is included in the authorizing LEA's unaudited actuals SACS submission to CDE:
 - No SEMOE is needed from the charter school

Special Education Maintenance of Effort

2. If the charter school is part of the authorizing LEA and is reporting its financial data to CDE, separate from its authorizing LEA:
 - The charter school prepares the SEMOE or similar reports, depending on whether it is using the SACS software or the Alternative Form, and submits them to its authorizing LEA.
 3. If the charter school is participating as a LEA in the SELPA and is reporting its financial data to CDE in SACS, separate from its authorizing LEA:
 - The charter school prepares the SEMOE reports from the SACS software and submits them to its SELPA AU.
 4. If the charter school is participating as an LEA in the SELPA and is reporting in the Alternative Form, separate from its authorizing LEA:
 - The charter school manually prepares hard copies of, or reports similar to, the SACS software SEMOE worksheet required of LEAs and submits them to the SELPA AU
 5. If the charter school is participating as a LEA in the SELPA and its data is included in the authorizing LEA's unaudited actuals SACS submission to CDE:
 - The charter school (or the district, since the charter school is part of the district for financial reporting purposes and is included in the district's unaudited actuals) manually prepares hard copies of the SEMOE for the charter school.
- B. The district deletes the charter school expenditures from the LEAs SEMOE report using the adjustments columns/lines in the SEMOE worksheets and provides an explanation.

Services to Districts

I. OVERVIEW

A. Direct Service Districts

Various sections of the Education Code refer to “direct service districts.” These districts are:

1. Elementary school districts with less than 901 units of average daily attendance (ADA).
2. Unified school districts with less than 1,501 units of ADA.
3. High school districts with less than 301 units of ADA.

B. Instructional Supervision, Attendance Supervision, Health Supervision, and Guidance Services

Education Code sections 1730 through 1762 authorize the county superintendent, with the approval of the county board of education, to provide various services to the districts in their county.

1. Instructional Supervision

- a. Education Code section 1730 authorizes the county superintendent, with the approval of the county board of education, to employ supervisors to supervise instruction in the elementary school districts under their jurisdiction if the district is not providing adequate supervision. This includes elementary school districts with less than 901 units of ADA and the elementary schools of unified school districts with less than 1,501 units of ADA during the preceding fiscal year.
- b. Education Code section 1731 authorizes the county superintendent, with the approval of the county board of education, to enter into an agreement with the governing board of any elementary school district under their jurisdiction for the supervision of instruction in the district. The agreement will provide for the district to pay for the cost of the service. This section authorizes the county to transfer the funds from the district for the cost of the service.

2. Supervision of Attendance

- a. Education Code section 1740 authorizes the county superintendent, with the approval of the county board of education, to employ personnel to supervise the attendance of pupils in the elementary school districts under their jurisdiction if the districts are not served by any direct supervisor of attendance. This includes elementary school districts with less than 901 units of ADA, high school districts with less than 301 units of ADA, and unified school districts with less than 1,501 units of ADA during the preceding fiscal year.

Services to Districts

- b. Education Code section 1741 authorizes the county superintendent, with the approval of the county board of education, to provide for the supervision of the attendance of pupils in school districts under their jurisdiction other than specified in section 1740. This section authorizes the county superintendent to transfer funds from the district to the county to pay for the actual cost of the service.
- 3. Health Supervision
 - a. Education Code section 1750 authorizes the county superintendent, with the approval of the county board of education, to employ one or more supervisors of health to provide health services to pupils in the school districts under their jurisdiction. This includes elementary school districts with less than 901 units of ADA and the elementary schools of unified school districts with less than 1,501 units of ADA during the preceding fiscal year.
 - b. Education Code Section 1752 authorizes the county superintendent, with the approval of the county board of education, to enter into an agreement with the governing board of any school district under their jurisdiction for the provision of any or all health services to the district. The agreement will provide for the payment of the cost of providing the services. This section authorizes the county superintendent to transfer funds from the district to the county to pay for the costs specified in the agreement.
- 4. Guidance Services
 - a. Education Code Section 1760 authorizes the county superintendent, with the approval of the county board of education, to employ personnel to provide necessary guidance services to pupils in the school districts under their jurisdiction provided the district does not furnish adequate guidance services. This includes elementary school districts with less than 901 units of ADA and the elementary schools of unified school districts with less than 1,501 units of ADA during the preceding fiscal year.
 - b. Education Code Section 1761 authorizes the county superintendent, with the approval of the county board of education, to enter into an agreement with the governing board of any district under their jurisdiction for the provision of guidance services. This section authorizes the county to provide for the payment of the services in the agreement and authorizes the county superintendent to transfer funds from the district to the county to pay for costs specified in the agreement.
- 5. Education Code sections 1730, 1740, 1750, and 1760 authorize the county superintendent to provide various services to the direct service districts in their county.

Services to Districts

6. Education Code sections 1731, 1741, 1752, and 1761 authorize the county superintendent to provide various services to the districts in their county and bill the districts for the cost of the service.

C. Direct Service Funding

1. Education Code section 2550 states that the county superintendent of schools will receive an allocation each year for direct services and other purposes.
2. Education Code Section 2550 provides guidance on how the Superintendent of Public Instruction will compute the amount allocated for direct services and other purposes provided by the county superintendents of schools.
 - a. The amount the county receives for direct services is listed in the Direct Services section of Form O and refers to Education Code sections 2550(a) (2) and 14054(a).
 - b. The calculated amount is the base revenue limit per ADA times the prior year's annual ADA for districts that qualify for direct service status.
3. Education Code section 14054(a) refers to supervision of instruction and supervision of health, attendance and guidance services pursuant to sections 1730 to 1762. As noted previously, sections 1730, 1740, 1750, and 1760 authorize the county superintendent to provide certain services to the direct service districts in their county. The county superintendent may use the funding from the Direct Services section of Form O for these services.

II. SERVICES TO DISTRICTS

- A. While county superintendents receive funding for direct services and other purposes, there is no guidance other than that contained in Education Code sections 1730, 1740, 1750, and 1760 regarding how the county superintendent is to spend the funds. The types of services that California county offices of education provide to their districts vary by county.
- B. It is at the County Superintendent's discretion to provide or not provide any or all of the services listed in Education Code section 14054(a).

I. OVERVIEW

- I. School district and county office financing can be accomplished by a variety of different debt instruments; however, COEs do not currently have access to voter-approved debt instruments. When determining the best type of financing, many factors need to be considered including cost, time line, market conditions, community support and the complexity of the debt instrument. Although issuing debt can be an appropriate method of financing specific projects, prudent fiscal management and consistent monitoring of debt is required to preserve a district's creditworthiness, budget and fiscal solvency.
- II. Types of debt financing include the following:
 - a. Voter-approved (not available to COEs)
 - i. General obligation bonds
 - ii. School facilities improvement district (SFID)
 - iii. Mello-Roos/ Community Facility District (CFD)
 - iv. Parcel taxes
 - b. Non-Voter-Approved
 - i. Certificates of participation (COPs)
 - ii. Lease purchases secured by real property
 - iii. Qualified zone academy bonds (QZABs) or other similar funding mechanisms such as qualified school construction bonds, QSCBs)
 - iv. Revenue Bonds
 - v. Any other debt instrument secured by real property and not subject to voter approval

II. NON-VOTER-APPROVED DEBT

- I. According to Education Code Section 17150 and Assembly Bill (AB) 2197 (Chaptered 128/2008), a school district is required to disclose all issuances of non-voter-approved debt secured by real property to the county superintendent of schools and the county auditor at least 30 days prior to the district's governing board's approval of any such issuances, including the following:
 - Certificates of participation (COPs)
 - Lease purchases secured by real property
 - Qualified zone academy bonds (QZABs) or other similar funding mechanisms (such as qualified school construction bonds, QSCBs)
 - Revenue bonds
 - Any other debt instrument secured by real property and not subject to voter approval
- II. School districts are required to furnish information regarding the debt issuance, including the following:
 - Repayment schedules
 - Evidence of ability to repay
 - Information needed to assess the anticipated effect of the debt issuance, including the cost of issuance
 - A. Within 15 days of receipt of the information, the county superintendent of schools and the county auditor are authorized to comment publicly to a district's governing board regarding the district's capacity to repay the debt obligation, based on the information provided.
 - B. Whenever possible, the county office of education should work with the county auditor to ensure that both entities are requesting the same information from local school districts.
- III. County boards of education have a similar disclosure obligation, and the state superintendent of public instruction (SPI) has a similar ability to comment publicly.
 - A. County offices of education are required to notify the SPI at least 30 days prior to the county board of education's approval of the issuance of COPs or other non-voter-approved debt instruments secured by real property. County offices of education are required to furnish information regarding the debt issuance, including the following:
 - Repayment schedules
 - Evidence of ability to repay

- Information needed to assess the anticipated effect of the debt issuance, including the cost of issuance
- B. Within 15 days of receipt of the information, the SPI is authorized to comment publicly to the county board of education regarding the county office's capacity to repay the debt obligation, based on the information provided.
- IV. The proceeds from COPs and other non-voter-approved debt secured by real property cannot be used for a district's general operations, regardless of the district's budget certification.
- V. County Office Responsibilities
 - A. The county office of education is encouraged to work with the county auditor's office to create a form that is acceptable to both for the district's reporting requirements. A debt issuance disclosure worksheet is available on FCMAT's Web site at: <http://wwwstatic.kern.org/gems/fcmat/DisclosureofNVADebtFINAL2.xls>. The worksheet asks for the following:
 - Amount and date of issuance
 - List of all parties involved in the transaction
 - Projects to be financed/purpose of issuance
 - Dates funds are needed
 - Repayment sources
 - Contingency plan if the repayment sources do not materialize or the final agreement costs more than originally anticipated
 - Loan information
 - Amount to be financed
 - Term
 - Amortization schedule
 - Cost of issuance
 - Interest rate
 - Multiyear projections
 - Effect of proposed debt in subsequent years
 - Preliminary official statement
 - Debt repayment schedule
 - Interim financing
 - Effect of debt on unrestricted reserves

- B. Before issuing any non-voter-approved debt, districts with qualified or negative budgets must obtain COE approval, and COEs with qualified or negative budgets must obtain SPI approval.

III. VOTER-APPROVED DEBT— DEBT SERVICE FUNDS

- A. The California School Accounting Manual identifies two debt service funds that local educational agencies (LEAs) are required to use under certain circumstances.

- 1. Tax Override Fund
- 2. Bond Interest and Redemption Fund

B. Tax Override Fund

- 1. The tax override fund is used to account for the repayment of voted indebtedness levies (other than bond interest and redemption fund repayments) that are financed from ad valorem tax levies.
- 2. Taxes are levied and recorded in this fund for the following purposes:
 - a. State school building loan repayments (Education Code Section 16090).
 - b. Payments to the original district for the acquisition of property (Education Code Section 35576).
 - c. Compensatory education housing repayments (Education Code Section 16214).
 - d. Lease-purchase payments (Education Code Section 17409).
 - e. Construction of exceptional children's facilities repayments (Education Code Section 16196).
- 3. The board of supervisors of the county computes and levies taxes on the property in the district sufficient to raise for the district the amount of money needed to cover the annual debt payments.
- 4. As the tax levies are collected, they are deposited in the tax override fund.
- 5. When the payments come due, they are paid from the taxes that have been collected and deposited into the tax override fund.

C. Bond Interest and Redemption Fund

- 1. The bond interest and redemption fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125-15262).

2. The principal and interest payments are paid by the county treasurer from the taxes levied by the board of supervisors and deposited into the bond interest and redemption fund.
3. Education Code Section 15140 (c) requires the governing board of the school district or community college district to transmit the resolution authorizing the sale of the bonds and the debt service schedule to the county auditor and county treasurer in sufficient time to permit the county to establish tax rates and necessary funds or accounts for the bonds.

II. COUNTY OFFICE RESPONSIBILITIES

- A. The tax levies deposited into the tax override fund and the bond interest and redemption fund are used to make the debt service payments on general obligation bonds and other obligations.
- B. The county board of supervisors is responsible to levy the tax based on debt service schedules from the district or other repayment schedules.
- C. The county auditor will maintain the books for the bond interest and redemption fund during the year.
 1. In some counties, the county auditor records the year-end balances on the SACS forms and the county office of education enters this information into the SACS software on behalf of the districts.
 2. In other counties, the county auditor provides an end of the year financial report to the county office of education. The county office of education will then enter the information into the SACS software for the districts or provide the financial report to the districts to enter the data.
 3. The county office of education should caution the districts to confirm that the payments made from the bond interest and redemption fund agree to the debt service amounts on the amortization schedules.
- D. The district usually maintains the books for the tax override fund.

LEGAL CITATIONS

Education Code

Sections 17150 – 17150.1, 42133.5

AB1200 Reimbursements

I. BACKGROUND

- A.** The Budget Act provides funds for reimbursement to county offices of education for expenses incurred in carrying out certain financial oversight responsibilities.
- B.** The Fiscal Crisis and Management Assistance Team (FCMAT) is designated to administer the reimbursements subject to approval by the Department of Finance (DOF) and the Superintendent of Public Instruction (SPI).

II. CATEGORIES FOR REIMBURSEMENT

- The categories for reimbursement and the percentages the State will pay are provided on the following page.

III. REIMBURSEMENT FORMS

- A.** The forms that county offices of education must submit are available on the FCMAT web site at www.fcmat.org, under the “Fiscal Documents and Resources” link.
- B.** The county must obtain prior approval from the SPI or their designee for claims for the employment of staff to provide analytical assistance or expertise on a short-term basis.
- C.** County staff must submit the claims for reimbursement to FCMAT quarterly, but the reimbursement is made semiannually.
 - 1. County staff must submit all claims for the previous fiscal year no later than August 15 of each year.
 - 2. FCMAT is responsible to review and approve the claims and submit them to the DOF and the SPI for final approval.

Reimbursable Categories for COE Claims

Reimbursable Categories for County Office of Education Claims Pursuant to AB 1200, AB 139, and AB 2756

<u>EC Section</u>	<u>Circumstance</u>	<u>Allowable Actions</u>	<u>SPI Approval Needed</u>	<u>% COE Must Pay</u>	<u>Legal Reimburse- ment Rate</u>
1241.5(b) & (c) BA Provision 7	Audit--Extraordinary costs	Audit due to fraud, misappropriation of funds, illegal practices, etc.	N	100%	100% (new on form)
42127(d)	Disapproved Budget by COE	Appoint fiscal advisor to assist in developing revised budget.	N	100%	* 25%
42127.3(b)(4)	Disapproved Budget by SPI (following BRC or waiver)	Employ additional assistance or expertise to validate financial information	Y	25%	100%
42127.3(b)(6)	Disapproved Budget by SPI (following BRC or waiver)	Employ CPA firm to investigate financial problems	Y	25%	100%
42127.6(a)(1)(A)	Qualified Certification	Assign fiscal expert to advise district	N ¹	100%	* 25%
42127.6(a)(1)(B)	Qualified Certification	Employ addtl ¹ assistance or expertise, including CPA firm, to assist COE in conducting financial and budgetary study	Y	25%	100%
42127.6(e)(5)	Negative Certification	Appoint fiscal advisor to act on behalf of COE	N ²	25%	100%

¹ If COE enters into contract, it is subject to the approval of the SPI.

² Actions taken must be "in consultation with" the SPI.

* Only 25% reimbursement allowed pursuant to Budget Act, Item 6110-107-0001, Provision 6

07/01/2007

District Reorganization

I. OVERVIEW

A. School districts are not permanent governments.

1. School district boundaries may change.
2. School districts may transfer territory from one school district to another.
3. School districts may combine with other districts or divide.

B. Basic types of reorganization

There are three common types of reorganization:

1. Transfer of a portion or portions of one district to another district. Annexations and unionizations are instances in which an entire district is transferred to another district.
2. Unification that involves reorganizing entire elementary and high school districts or portions of them into unified districts serving kindergarten through grade twelve or reorganizing or splitting existing unified districts.
3. Unifications where one of the feeder elementary school districts is completely within a high school district and is excluded from action to unify the portion of the high school district in which it is contained. The governing board of the elementary school district must receive approval for exclusion from the State Board of Education.

C. Early organization

1. School district organization began with the provisions for school support established by the framers of the California Constitution in 1849.
2. By 1932, there were over 3,500 school districts in the State.
3. In the 1930s, new laws made it possible to combine elementary and high school districts into a single district under one board of education defined as a “unified “school district.

D. There have been significant and numerous changes in the laws related to school district organization since the 1930s.

- ### E. Since 1932, the number of school districts has declined to roughly 960.
- Most of this decline occurred between 1932 and the 1960s.

District Reorganization

II. THE COUNTY COMMITTEE ON SCHOOL DISTRICT ORGANIZATION

- A. In each county, except a county that is also a city and county (e.g., San Francisco), there is a county committee on school district organization.
- B. The county committee on school district organization has a major role in the review and approval of proposals to change school district organization in the county.
- C. The county committee:
 - 1. Is the local coordinator, analyst, facilitator and arbitrator for the reorganization of school districts. The committee also may initiate proposals to reorganize school districts.
 - 2. Responds to petitions, conducts public hearings, develops and releases information, formulates plans, and analyzes proposals throughout the approval process of a reorganization.
 - 3. Gives final approval or disapproval for petitions for transfers of territory and certain unification proposals, where state approval is not required. This is subject only to appeal to the State Board of Education. In some situations, elections are required.
 - 4. Has other responsibilities, as established in the Education Code, related to committee membership, trustee areas and methods of electing governing boards.
- D. Education Code Section 4020 allows the duties of the county committee to be transferred to the county board of education.
 - In more than 30 of the counties in the State, the county board of education serves as the county committee on school district organization.
- E. The county committee's role in lapsed school districts is defined within Education Code Sections 35780-35787. A lapse is defined as an action to dissolve a school district and annex the entire territory of that district to one or more adjoining school districts.
 - An action to lapse a school district is subject to specified general statutory provisions of Chapter 3, commencing with Education Code Section 35500.

District Reorganization

III. RESOURCES

- A. Detailed information on school district reorganization is available in the California Department of Education's *District Organization Handbook*.
 - 1. This handbook is a comprehensive reference on school district reorganization.
 - 2. The handbook describes the step-by-step process of forming or abolishing school districts, consolidating school districts, transferring territory from one district to another and unifying school districts.
 - 3. The handbook also includes checklists to aid county office staff and county committees in tracking the required tasks associated with district reorganization.
 - 4. The handbook is available on the California Department of Education's website at <http://www.cde.ca.gov/re/lr/do/>.
- B. School district reorganizations are extremely complex; therefore, county staff should consult with legal counsel whenever school district reorganization issues arise.

Working with the County

I. OVERVIEW

A. The County

1. The state is divided into counties.
2. A county is the largest political division of the state having corporate powers.
3. The county may:
 - a. Sue and be sued.
 - b. Purchase, receive by gift or bequest, and hold land within its limits, or elsewhere when permitted by law.
 - c. Make contracts and purchase and hold personal property necessary to the exercise of its powers.
 - d. Manage, sell, lease, or otherwise dispose of its property, as the interests of its inhabitants require.
 - e. Levy and collect taxes authorized by law.
4. The county may exercise its powers only through the board of supervisors or through agents and officers acting under the authority of the board or authority conferred by law.

B. County Officers

1. Government Code 24000 establishes the officers in the county.
2. These officers include (not an all-inclusive list):
 - a. A controller
 - b. An auditor, who shall be ex-officio controller.
 - c. A treasurer
 - d. A license collector
 - e. A tax collector, who shall be ex-officio license collector.
 - f. An assessor

Working with the County

3. Government Code Section 24009:
 - a. Except as provided in subdivision (b), the county officers to be elected by the people are the treasurer, county clerk, auditor, sheriff, tax collector, district attorney, recorder, assessor, public administrator, and coroner.
 - b. 24009 (b) Any county office that is required to be elective may become an appointive office pursuant to this subdivision. Any county office changed from elective to appointive in accordance with this subdivision may be changed back from appointive to elective in the same manner.
4. Government Code Section 24300 allows the board of supervisors to consolidate duties of certain of the county offices in one or more of these combinations:
 - a. County clerk, auditor, and recorder
 - b. Treasurer and tax collector
 - c. Treasurer and assessor

C. The Board of Supervisors

1. Government Code Section 25000 establishes that each county shall have a board of supervisors consisting of five members.
 - a. Not more than three members shall be elected at the same general election.
 - b. The term of office of each member is four years.
2. Government Code Section 25209.1 authorizes the board of supervisors, upon the recommendation of the county auditor, to make a temporary transfer from the funds in their custody to any school district in the county.
 - a. The temporary transfer shall not exceed an amount computed to be equal to 50% of the school district's entitlement for payment of Public Law 81-874 funds for the immediately preceding fiscal year.
 - b. School districts may repay such temporary transfers of funds without any interest to the county on or before June 1 of the fiscal year in which the funds were transferred.
3. Government Code Section 29100 requires the board of supervisors on or before the first business day of September of each year, to adopt by resolution the rates of taxes on each secured roll, not to exceed the 1% limitation specified in Article XIII of the Constitution and Sections 93 and 100 of the Revenue and Taxation Code.

Working with the County

- For voter-approved indebtedness, the board shall adopt the rates on the secured roll by determining the percentage of full value of property on the secured roll legally subject to support the annual debt requirement.
- 4. Government Code Section 29101 requires that after adopting the rates, the board shall levy the taxes on the taxable property of the county. Each rate is upon the full-assessed valuation of property and only upon property that is subject to such tax.

D. The County Auditor or County Auditor-Controller

1. Government Code Sections 26880 – 26886 describe the duties of the county auditor or county auditor-controller.
2. This position is the chief accounting officer of the county.
3. Government Code Section 26920 requires the county auditor to perform a review of the treasurer's statements of assets in the county treasury at least once in each quarter.
 - a. The treasurer is required to prepare a statement showing the amount and type of assets in the county treasury as of the date of the review.
 - b. The review shall include:
 - i. Counting the cash in the county treasury.
 - ii. Verifying that the records of the county treasurer and auditor are reconciled pursuant to Government Code Section 26905.
4. Government Code Section 29043 requires the auditor to provide the estimates for bonded debt service requirements. They shall also provide or furnish to the responsible authority, as applicable, the estimates for bonded debt service requirements of school districts.

E. The County Treasurer

1. Government Code Section 27000 requires the county treasurer to receive and keep safely all money belonging to the county and all other money directed by law to be paid to them and apply and pay it out, rendering the account as required by law.
2. Government Code Section 27000.1 authorizes the board of supervisors to delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury.

Working with the County

- The county treasurer thereafter assumes all responsibility for those transactions until the board of supervisors either revokes its delegation of authority or decides not to renew the delegation.
3. Government Code Section 27000.3 establishes that the board of supervisors is the agent of the county who serves as the fiduciary and is subject to the prudent investor standard, unless the board of supervisors has delegated authority to the county treasurer.
 4. Government Code Section 27000.5 states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of the county treasurer, or the board of supervisors, as the case may be, will be to safeguard the principal of the funds under the treasurer's or the board's control.
 - a. The secondary objective will be to meet the liquidity needs of the depositor.
 - b. The third objective will be to achieve a return on the funds under their control.
 5. Government Code Section 27005 requires the treasurer to disburse the county money and all other money placed in their custody only on county warrants, checks, or electronic fund transfers issued by the county auditor, except for the making of legal investments.
 6. Government Code Section 27006 requires the treasurer to disburse money in the treasury only when they are based on orders of the board of supervisors, upon order of the superior court, or as otherwise provided by law.
 7. Government Code Section 27011 states that any county officer who knowingly accepts or allows any deposit in the county treasury of money from any private and unofficial source is guilty of a misdemeanor, punishable by imprisonment in the county jail for not less than six months nor more than one year, or by a fine of not less than five hundred dollars (\$500) and not more than five thousand (\$5,000), or by both and that fine and imprisonment, and shall forfeit their office.
 8. Government Code Section 27013 states that any treasurer, or other authorized county officer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distributing thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income.

Working with the County

9. Government Code Section 27136 requires that any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.
 - The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal shall not adversely affect the interests of the other depositors in the county treasury pool.
10. Government Code Section 53630.1 states that the Legislature finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.
11. Government Code Section 53637 states the money in the county treasury shall be deposited in any bank, savings association or federal association, state or federal credit union, or federally insured industrial loan company with the objective of realizing maximum return, consistent with prudent financial management, except that money shall not be deposited in any state or federal credit union if a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.
12. Government Code Section 53649:
 - a. The treasurer is responsible for the safekeeping of money in their custody and shall enter into a contract with a depository relating to any deposit, which in their judgment is to the public advantage.
 - b. The depository, and the agent of depository to the extent the agent of depository has been notified of deposits and the amount thereof, are responsible for securing moneys deposited to such a contract in accordance with Section 53652.
 - c. One copy of each contract shall be filed with the auditor, controller, secretary, or corresponding officer of the local agency.
 - d. The contract shall:

Working with the County

- i. Fix the duration of deposits, if appropriate.
- ii. Fix the interest rate, if any.
- iii. Provide conditions for withdrawal and repayment.
- iv. Provide for placement of pooled securities in a named agent of depository in accordance with Section 53659.
- v. Grant authority for agent or depository to place securities for safekeeping in accordance with Section 53659.
- vi. Set forth in accordance with Section 53665 the conditions upon which the administrator shall order pooled securities converted into money for the benefit of the local agency, and the procedure thereof.
- vii. Provide for compliance in all respects with the provisions of this article and other applicable provisions of law.
- viii. Provide upon notice to the treasurer from the administrator, that a treasurer may withdraw deposits in the event a depository fails to pay the assessments, fines, or penalties assessed by the administrator or may withdraw authorization for the placement of pooled securities in an agent of depository in the event that the agency of depository fails to pay the fines or penalties assessed by the administrator.

F. County Treasury Oversight Committee

- 1. Government Code Section 27130 establishes a county treasury oversight committee.
 - The Legislature authorized the creation of the oversight committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds.
- 2. Government Code Section 27131 requires the board of supervisors to establish the committee.
 - a. The board of supervisors, in consultation with the county treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members.
 - b. Members are nominated by the treasurer and confirmed by the board of supervisors.

Working with the County

3. Government Code Section 27132 establishes that the committee shall consist of members appointed from the following:
 - a. The county treasurer.
 - b. The county auditor, auditor-controller, or finance director, as the case may be.
 - c. A representative appointed by the county board of supervisors.
 - d. The county superintendent of schools or their designee.
 - e. A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community colleges in the county.
 - f. A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury.
 - g. Up to five members of the public.
4. These committee meetings are open to the public and subject to the Ralph M. Brown Act.
5. Government Code Section 27133 requires that any county that establishes a county treasury oversight committee subject to this article, shall annually prepare an investment policy that the county treasury oversight committee will review. This investment policy will include all of the following:
 - a. A list of the securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.
 - b. The maximum term of any security purchased by the county treasury.
 - c. The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other investments.
 - d. Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee.
 - e. A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.

Working with the County

- f. The manner of calculating and apportioning the costs, authorized by Section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.
 - g. The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit their funds for investment purposes.
 - h. Criteria for considering requests to withdraw funds from the county treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.
- 6. Government Code Section 27134 requires the county treasury oversight committee to cause an annual audit to be conducted to determine the county treasury's compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk.

G. Interest Earnings

- 1. Government Code Section 53647 (a) states that interest on all money deposited belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, unless otherwise directed by law.
 - a. Section 53647 (b) allows, except as directed by law, the governing body of the local agency represented by the officer making the deposit to direct the interest to be paid into the fund that contains the principal on which the interest accrued.
- 2. Government Code Section 53684:
 - a. Allows the treasurer of any local agency, or other official responsible for the funds of the local agency, to invest funds not needed for immediate use.
 - b. Section (b) requires the county treasurer to, at least quarterly, apportion any interest derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.
 - c. Prior to distributing that interest or increment, the county treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balances of the investment pool.

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- d. Section (c) requires the county treasurer to disclose to each local agency that invests funds pursuant to this section the method of accounting used.
- 3. Government Code Section 53686 requires the county treasurer or other responsible official, to provide a copy of any audits (related to the investment of local agency funds and other funds by the county treasurer) to the treasurer or other official responsible for the funds of any local agency that has funds on deposit in the county treasury.

II. COUNTY OFFICE RESPONSIBILITIES

- A.** There is nothing in the law that establishes terms of the business relationship between the county and the county office of education.
- B.** In many ways, the county office of education acts to protect the interests of the other local educational agencies (LEAs) in the county.
- C.** As an additional service to districts, the county office of education may consider taking on an oversight role in ensuring that the relationship between the county office and the county office of education meets certain standard business practices.

For example:

- 1. Most business relationships are based on a written agreement that identifies the terms of the agreement and includes standards for determining performance.
 - a. Many county offices of education do not have a written agreement with their county office that defines how the interest is calculated and which funds earn interest.
 - b. To ensure that the interests of the LEAs are protected, the county office may want to obtain written representations from the county government each year that define which funds earn interest, how the interest is calculated, and how the interest is allocated to the entities.
 - c. The county office may want to consider hiring a CPA firm, on behalf of all LEAs to periodically, determine that the interest calculations and allocations are in agreement with the terms of the written representations from the county.
- 2. Government Code Section 27133 requires the county to include in its investment policy, the manner of calculating and apportioning the costs of investing, depositing, and banking, auditing, reporting, or otherwise handling or managing funds.

Working with the County

- a. For those county offices that charge these costs to the LEAs, the county office of education should consider reviewing the investment policy to determine that it is reasonable.
 - b. The county office may want to consider hiring a CPA firm, on behalf of all LEAs to periodically, determine that any costs charged to the LEAs are determined in accordance with the county's investment policy.
3. Government Code Section 27134 requires the county treasury oversight committee to have an annual audit on the county treasury's compliance with the law related to the investment policy.
 - a. On behalf of the LEAs, the county office may want to obtain copies of all relevant audit reports performed under this code section, as well as the county's annual audit.
 - b. On behalf of the LEAs, the county office staff could review the annual audits to determine if there are any issues identified in the audit report that impact the LEAs.

III. LEGAL CITATIONS

A. Government Code

1. Sections 23000 - 23027
 - Laws on the powers of the county and provides the names of the counties within the state.
2. Sections 24000 - 24012
 - Establishes the officers of the county and the qualifications for the offices.
3. Sections 24300 – 24308
 - Establishes positions that the board of supervisors may consolidate.
4. Sections 25000 – 25008, 25040 – 25042, and 25200 - 25210
 - The duties of the board of supervisors.
5. Sections 26880 – 26886
 - The duties of the county auditor and auditor-controller.

Working with the County

6. Sections 26920 – 26922

- At least once each quarter, the county auditor shall perform a review of the treasurer's statements of assets in the county treasury.

7. Sections 27000 – 27013

- The duties of the county treasurer.

8. Sections 27080 – 27082

- The laws related to specific types of deposits into the county treasury.

9. Sections 27100 – 27101

- The fiduciary relationship of the county treasurer.

10. Sections 27130 – 27137

- The county treasury oversight committee.

11. Sections 29040 – 29045

- Responsibilities to provide debt service information for school districts.

12. Sections 29100 – 29109

- The procedures for determining the tax levies.

13. Sections 29800 – 29808

- The laws applicable to warrants issued by the county auditor.

14. Sections 29820 – 29828

- The procedures for paying warrants and registered warrants.

15. Sections 53600 – 53609

- Standards for persons investing public funds.

16. Sections 53630-53686

- Defines terms, responsibilities of county treasurer, laws on deposits with county treasurer, and eligible securities.

Cash Flow Procedures

Sections:

- I. Overview
- II. County Office Responsibilities
- III. Detailed Procedures
 - A. General Fund Cash Inflows
 - 1. Principal Apportionment
 - 2. Other State Revenues
 - 3. Federal Revenues
 - 4. Local Revenues
 - 5. Special Education AB602
 - 6. Interfund Transfers In
 - 7. Short Term Borrowing from Other Funds
 - 8. Other Cash Inflows
 - B. General Fund Cash Outflows
 - 1. Salaries and Benefits
 - 2. Supplies and Services
 - 3. Transfer of Direct Costs
 - 4. Capital Outlay
 - 5. Other Outgo
 - 6. Interfund Transfers Out
 - 7. Short Term Lending To Other Funds
 - 8. Other Cash Outflows
 - C. Setting up a Cash Flow Template/Model
 - 1. Layout

Cash Flow Procedures

2. Excel as a Tool
 3. Trends and Averages
 4. Population Variance
- IV. Borrowing Options
- A. Interfund Borrowing
 - B. Tax Revenue Anticipation Notes
 - C. County Treasury Loan
 - D. County Office Loan

Cash Flow Procedures

I. OVERVIEW

- A. Each school district is required to provide a general fund cash flow projection as part of the first and second interim reports, and the end of year projection (third interim). School districts can use Form CASH in the SACS software or use their own cash flow format.
- B. Cash flow projections can be developed for other funds as necessary, including capital funds, cafeteria fund and child development fund.
- C. Cash flow projections can also be used as a fiscal management tool to accomplish the following:
 - 1. Ensure that a school district can meet its financial obligations.
 - 2. Maximize investment opportunities and interest revenue.
 - 3. Identify timelines for cash receipts.
 - 4. Identify the possible need for short-term borrowing.
 - 5. Provide information for negotiations.
- D. The budget can be very different from cash because of the timing of cash inflows and outflows. The ending cash balance is also different from the ending fund balance, which includes receivables and payables.

II. COUNTY OFFICE RESPONSIBILITIES

- A. County offices of education must review the general fund cash flow projections as part of the first and second interim reports and the end-of-year projection.
- B. County offices of education may also request general fund cash flow projections at other times, such as at budget adoption.
- C. County offices of education may choose to coordinate a tax revenue anticipation notes (TRANs) pool to reduce school districts' borrowing costs.
- D. County offices of education may loan cash to a school district with the approval of the county board of education. (Education Code (EC) 42621 and 42622)
- E. Some county offices of education develop monthly general fund cash flow projections for their school districts as part of the AB 1200 fiscal oversight process. These cash flows can be sent to districts to be revised with district-specific information.

Cash Flow Procedures

III. DETAILED PROCEDURES

This section discusses how a county office of education or district can set up a cash flow model. The components of cash inflows and outflows are covered in detail in sections A and B, respectively, while section C discusses the technical details of how to set up a model using Microsoft Excel.

A. General Fund Cash Inflows

A school district has numerous revenue sources from both governmental and nongovernmental entities. A thorough analysis is required to convert this varied multiyear revenue information into reliable cash inflow amounts. It is common practice to start with projections of annual revenue, then break these down to monthly cash flow streams based on payment schedules or contracts. When using this approach, it is important to differentiate between cash attributable to current year and prior year revenues.

1. Principal Apportionment

The following revenue limit and categorical programs are included in the principal apportionment as of fiscal year 2010-11:

- Revenue Limit - State Aid
- Special Education (if a school district is a single-district SELPA. For more on special education see section III, A, 5)
- Charter School Categorical and General Purpose Block Grant
- Supplemental Instruction
- Community Day School (both mandatory expelled and additional funding)
- Gifted and Talented Education program
- Regional Occupational Center/Program (if received directly from the California Department of Education (CDE) and not through another school district)
- Adult Education
- Prior year corrections. (Also called prior year recomputations and adjustments. This item is not included in the advance apportionment)
- Other smaller programs, transfers, and reductions that are included in the principal apportionment and listed on the principal apportionment summary exhibit on the CDE's website.

Cash Flow Procedures

The principal apportionment distribution schedule, available from the CDE, shows the entitlement percentage a school district can expect to receive each month based on EC 14041. The percentages on the schedule are before the deferrals are applied. There are three different types of payment plans for the principal apportionment distribution; a school district must use the correct type. The current schedule for fiscal year 2010-11, excluding deferrals, is included in Table 1 below. Users may download the latest principal apportionment distribution schedule from the CDE's website at: <http://www.cde.ca.gov/fg/aa/pa/index.asp>.

Table 1: Principal Apportionment Distribution Schedule for Fiscal Year 2010-11 (excluding deferrals)

	Payment Plan Type			Period
	1	2	3	
	EC 14041(a)(2)	EC 14041(a)(7)	EC 14041(a)(8)	
July	5%	15%	15%	Advance
August	5%	15%	30%	
September	9%	15%	30%	
October	9%	15%	15%	
November	9%	0%	0%	
December	9%	0%	0%	
January	9%	6%	6%	P-1
February ¹	1/5	1/5	0%	
March ¹	1/5	1/5	0%	
April ¹	1/5	1/5	0%	
May ¹	1/5	1/5	0%	P-2
June ²	Balance Due	Balance Due	Balance Due	

¹ Based on the difference between the First Principal Apportionment certification and payments through January

² Based on the difference between the Second Principal Apportionment certification and payments through May (including amount deferred to August)

The California State Controller's Office maintains a schedule of the planned payment dates that shows exactly what day of each month a school district can expect to receive the apportionment. This schedule may be downloaded from the controller's office website at http://www.sco.ca.gov/ard_local_apportionments.html

Cash Flow Procedures

Some deferrals apply to the principal apportionment as well as other programs. These deferrals change over the years, so LEAs should make sure they have the latest deferral information available on the CDE's website. As of 2010-11, one-time intra-year deferrals are specified in Government Code (GC) 16325.5, and ongoing inter-year deferrals are specified in EC 14041.5 and 14041.6. Both of these are listed in Table 2 below.

Table 2: One-time Intra-Year and Ongoing Inter-Year Deferrals

2010-11 Deferrals		
	One-time Intra-year	Ongoing Inter-year
July	\$2.5 B	
August		
September	\$2.5 B	
October		
November		
December		
January		
February		\$2.0 B
March	\$2.5 B	
April		\$678.6 M
May		\$1.0 B
June		100%

When the principal apportionment is certified each period (advance, first and second), the CDE posts the calculations letter and a planned monthly payment schedule for that period on its website (<http://www.cde.ca.gov/fg/aa/pa/index.asp>). It is a good practice to verify that the monthly amounts in a school district's cash flow match the CDE's planned payments. The periods are as follows:

- Advance Principal Apportionment – certified by July 20 for July to January payments
- First Principal Apportionment (P-1) – certified by February 20 for February to May payments
- Second Principal Apportionment (P-2) – certified by July 2 for the June payment that is deferred to July

In the years when the state Legislature does not approve a budget by July 1, the only state programs that will be funded until there is an approved budget are those with a continuous appropriation, which are currently the following:

Cash Flow Procedures

- Revenue Limit - State Aid
- Charter School General Purpose Block Grant
- Community Day School - Mandatory Expelled
- Basic Aid “Choice”
- Court-Ordered Voluntary Pupil Transfer
- Basic Aid Supplement Charter School Adjustment
- County Office Funds Transfer

When the state Legislature approves a late budget, between July and January, the Advance Principal Apportionment will need to be recertified. The payments for July through January are recalculated based on the new principal apportionment and compared to the amounts paid under the original certification. Any difference between the amount paid to date and the amount that should have been paid to date under the recertified schedule is adjusted in the next scheduled payment.

If the state Legislature approves midyear cuts to be made between February and May, the First Principal Apportionment will need to be recertified. Payment amounts for February through May are recalculated based on the new principal apportionment amount and compared to the amounts paid under the original certification. Any difference between the amount paid to date and the amount that should have been paid to date under the recertified schedule is adjusted in the next scheduled payment.

2. Other State Revenues

The categorical programs that are not included in the principal apportionment can be included in one of two groups: “5-5-9” and “other than 5-5-9.”

EC 14041(a) (5) and 14404.1 establish the 5-5-9 payment schedule for certain categorical programs: five percent in July, five percent in August, and nine percent in each of the remaining months (absent any deferrals).

Some deferrals that apply to the principal apportionment, which were mentioned above, also apply to the 5-5-9 group. These deferrals change over time, so LEAs should ensure that they have the latest deferral information available from the CDE’s website. Two additional ongoing deferrals apply to the School Safety Grant and the Targeted Instructional Improvement Block Grants, which are \$38.7 and \$100.1 million, respectively. These amounts are deducted from the grant amount and deferred before the 5-5-9 percentages are applied.

Cash Flow Procedures

The categorical programs on the 5-5-9 distribution plan might change from year to year. It is important to verify the current list of programs included in the 5-5-9 distribution schedule on the Categorical Programs page of the CDE's website at <http://www.cde.ca.gov/fg/aa/ca/>.

The programs not included in the 5-5-9 schedule have their own apportionment distribution, which usually changes from year to year and could also change within the same fiscal year. The best practice is to check the CDE's website each month and download the updated schedule, if one is available, at: <http://www.cde.ca.gov/fg/aa/ca/>. The state also offers competitive and reimbursement grants that might not have distribution schedules; in this situation, check with the fiscal contact for more information.

Some deferrals that apply to the principal apportionment and the 5-5-9s also apply to this group of programs. The K-3 Class Size Reduction program has an ongoing deferral of \$570 million. These deferrals change over time, so check the CDE's website for the latest information.

Lottery is a quarterly apportionment issued by the State Controller's Office. For detailed information related to Lottery apportionment, visit the following sites: <http://www.cde.ca.gov/fg/aa/lo/> and http://www.sco.ca.gov/ard_payments_lottery.html

Various state agencies also offer grants that may be competitive and included on a reimbursement or other distribution schedule.

3. Federal Revenues

Federal funds flow differently depending upon the funding source. In California, a school district can receive federal funding in one of two ways:

- Directly from the federal government via a wire transfer (Federal Grants Administration and Payment System (GAPS)).
- From the CDE, which apportions funds to county treasurers or to a school district by warrant after receiving a statewide apportionment from the federal government.

In either of these cases, the federal funding may be allocated differently depending upon the grant:

- By a specific schedule, e.g. 40% in November, 40% in February, 20% in June.
- By reimbursement after expense has been incurred, e.g. monthly, quarterly, annually, other.

Cash Flow Procedures

If a school district neglects to report annual expenditures on the consolidated application, funding for the following year could be affected.

Federal Cash Management Guidelines

For certain programs, school districts must report cash balances to the CDE quarterly. This information is used to allocate apportionments. For each quarter, the amount apportioned is 25 percent of the district's entitlement, minus the reported cash balance, subject to a maximum payment equal to the unpaid entitlement amount. A school district must submit cash management data each reporting period to be eligible to receive funds in that period. Following are two options for showing this in the cash flow:

- If program expenditures are consistent from year to year, a full year of revenue receipts for a program subject to federal cash management can be used to project future years based on prior year trends.
- If program expenditures are not consistent, expenses must be estimated based on program expectations for the year. The expected expenses are applied to estimate quarterly cash in order to project what percent of scheduled apportionments might be expected.

Reimbursement Grants

Reimbursement funding implies a negative cash flow; expenses must be incurred before revenue can be requested. Some of the factors to consider are the time it takes to compile the reimbursement request and the time from request submittal to receipt of reimbursement. If these factors are consistent from year to year, prior year trends can be used when preparing cash flow projections. Types of reimbursement requests include the following:

- Submission of expenditure report
 - Online or paper submission
 - Reporting period can be monthly, quarterly, or other
- GAPS)
 - Requests can be made as often as desired.
 - A school district must certify that the amount requested has either already been expended or will be expended within a specified short time.
 - Revenue is normally deposited with the county treasurer within two days.

Pass-Through Grants

Cash Flow Procedures

A school district can be the lead, primary, or sub-grantee, but in all cases a set funding schedule or method should be detailed in the grant or memorandum of understanding (MOU). These grants can be reimbursement-based, adhere to federal cash management guidelines, or be forward-funded.

4. Local Revenues

Property Taxes

The property tax apportionment schedule is produced by the property tax department of the county auditor and controller's office and is distributed to school districts. Each component of the property tax revenue (e.g. current secured, current unsecured, etc.) will have a different distribution schedule. To more accurately project cash flow, it is best to break the projected property tax revenue into the individual components and then apply the appropriate distribution percentages. The largest payments are usually in December and April. The property tax apportionment schedule is an estimated distribution, but the actual property tax cash flow to a school district depends on the actual tax received by the county auditor and controller's office.

The county auditor and controller's office provides the property tax revenue estimate for each school district as follows:

- P-1 (estimate) certified by November 15.
- P-2 (estimate) certified by April 15.
- For the annual period, the final taxes are certified by August 15 of the following fiscal year.

In most counties the assessor's office will provide the estimated assessed property valuations in May, which can help a school district estimate the property tax revenues for the coming year. The final assessed valuations are available in July.

All Other Local Revenues

Other local revenues can come from many sources and are usually unique to each school district. They may include the following:

- Contract revenue

This category includes school district contracts with other school districts or outside entities. The contracts should provide specifics on the cash receipt schedule.

Cash Flow Procedures

- Interest revenue
The county treasurer apportions the interest quarterly, usually one month after the end of the quarter.
- Miscellaneous sources
Examples of miscellaneous revenues are school and district sales, donations, and ticket sales. A school district might find it best to use prior year trends to project these uncertain revenue sources.

5. Special Education AB602

The special education program has many funding streams that can vary depending on situations that are unique to each district. This section will cover AB602, which is the main funding model and consists of state, federal and local amounts.

The state portion of the AB602 special education funding will follow the principal apportionment distribution to each SELPA, which is discussed above in section III, A, 1. The federal Individuals with Disabilities Education Act (IDEA) Local Assistance entitlement portion is also distributed to each SELPA and will follow a federal grant schedule that is broken into three payments (initial, mid-year, and final) that usually span two fiscal years. The local funding consists of property tax that is transferred from the county superintendent of schools. The timing of these transfers can be different in each county and should be confirmed every year.

The SELPA has an important role in the AB602 cash flow. For member districts of a multi-district SELPA, the funding will be received based on the SELPA's funding model and policy for revenue disbursement. Following are two methods:

- A school district may receive SELPA funding based on the same revenue receipt schedule as the SELPA.
- A school district may receive SELPA funding based on a set schedule of apportionment adopted by that SELPA.

Refer to the SELPA's policy when incorporating this funding into a school district's cash flow.

If a school district is a single-district SELPA, the district will receive its AB602 funding directly from the CDE and the county office of education.

Additional special education programs such as mental health services, infant programs and transportation follow their own cash disbursement schedules and are covered in other sections.

Cash Flow Procedures

6. Interfund Transfers In

Interfund transfers are permanent and differ from the short-term borrowing between funds that is described below.

Some examples of interfund transfers to the general fund are:

- Transfers from the special reserve funds.
- Transfer of the ending balance of a closed fund (usually a small amount).

The activities in the interfund transfer object codes are unique to each school district and in most cases should be well documented in advance.

7. Short-Term Borrowing from Other Funds

During the course of a year the general fund might need a short term loan from another fund, often to cover payroll at the end of a month. This is becoming much more common with the increase in deferrals imposed by the state. The school district should review the cash flow of other funds before loaning cash to the general fund. Internal borrowing is usually the lowest cost alternative for a school district because interest cost/earnings stay within the district.

Internal borrowing or interfund loans are also known as due to/due froms and are covered by EC 42603. Amounts borrowed must be repaid within the same fiscal year, or in the following fiscal year if the funds were borrowed within the final 120 calendar days of a fiscal year. No more than 75% of the cash available in the lending fund may be borrowed.

A school district should check if there is any bond language that might prevent short-term borrowing from a bond fund.

Cash Flow Procedures

8. Other Cash Inflows

Accounts Receivables

Cash received in the current year can be the result of a receivable set up in the prior period. There should be no offset to cash projections based on current year revenue when receiving cash from a prior period receivable. Receivables can be from multiple sources: principal apportionment, federal, state, and local. The timing of each of these types of revenues can be estimated in the cash flow. Ensure that any state or federal expenditure reports are completed in a timely manner to ensure prompt receipt of cash.

B. Cash Outflows

The timing of cash outflows varies by type of expenditure. This section discusses methods for estimating each type of expenditure.

1. Salaries and Benefits

Salaries and benefits are the single largest item in a school district's general fund expenditure budget and cash outflow. A good method for estimating salaries and benefits is to use historical trends for each month. However, certain factors may cause this to change, including the following:

- The number of paychecks for employees may change due to budget reductions.
- A major portion of the workforce may have reduced hours in the summer months and only receive 10 or 11 regular/full paychecks.
- The size of a summer school program may change.
- Early retirement/separation incentives will only be paid over a limited time.

Timing is another issue a school district should consider when developing a cash flow. State teachers' retirement system (STRS), public employee retirement system (PERS), and state unemployment insurance are usually paid in the period following the period in which the expense is incurred (e.g., STRS for June is paid in July). In this situation, the expense is accrued in the prior year but the cash outflow is in the current year. Health and welfare benefit rates may be based on the calendar year, and a school district might expect a premium increase or a move to enrollment in a lower cost plan in January.

Cash Flow Procedures

2. Supplies and Services

Some services have set monthly, quarterly or annual billing cycles. Operational issues at the school district will also affect the timing of payments. In addition, the cost of items such as utilities may be cyclical. The purchase of supplies and services can vary greatly by school district, but prior year and seasonal trends can provide good insight when estimating the cash outflow. Some things to consider include:

- Large cash payments can occur in the early months of a fiscal year because supplies are being ordered to start the new school year, large purchases are being made (e.g. textbooks) and prior year invoices are being paid.
- June can have high cash outflows because of efforts to spend categorical funds and pay bills to avoid having to make accruals.
- Purchasing deadlines can affect the timing of payments to vendors.
- One-time payments should be taken into account.

3. Transfer of Direct Costs

Direct costs may include maintenance, photocopying, or vehicle use and are often accumulated in certain accounts. Transfers are made periodically to charge other funds that use these services. A school district could improve its cash position by reviewing the timing of these charges between funds. It may be necessary to review the cash balances of other funds prior to making these types of transfers.

4. Capital Outlay

Capital expenditures relate to the acquisition of land or buildings, site improvements, and equipment purchases. Because these costs are usually large and infrequent, it is important to be cautious when estimating these items.

5. Other Outgo

Tuition/Interagency Transfers

Interagency costs are the costs between a school district and other governmental agencies. Examples include contracted educational services provided by another school district, transfers of pass-through revenue, and other apportionment transfers.

Cash Flow Procedures

Transfers of Indirect Costs

Indirect costs between funds can be charged when the general fund provides support to another fund. This will show as a negative expenditure in the general fund. School districts may consider making these transfers during the fiscal year to increase general fund cash flow.

Debt Service

Debt service expenditures are recorded to show the payment of principal and interest needed to service a school district's debt. A school district should review schedules for debt service payments because these payments are usually large and are often determined at the time of borrowing.

6. Interfund Transfer Out

As discussed in section III, A, 6, interfund transfers are permanent and differ from short-term borrowing and lending. Examples of transfers from the general fund to other funds are:

- Contractually required contributions to retiree/post-employment benefits funds. The timing and amounts should be known and/or accessible.
- Funding of an ongoing program operated in another fund, such as a bus replacement program in fund 15.
- Contributions to other funds such as the cafeteria fund.

The activities in the interfund transfer object codes are unique to each school district and should be well documented in advance in most cases.

7. Short-Term Lending to Other Funds

Information on short-term lending to other funds is covered above in section III, A, 7, Short Term Borrowing from Other Funds.

Cash Flow Procedures

8. Other Cash Outflows

Accounts Payable and Accruals

Accounts payable liabilities are created when expenses are recognized and accrued in the previous fiscal year but the cash payment is made in the current year. These liabilities should be included in cash flow projections.

Most payables should be cleared by the first interim reporting period. If balances remain in these accounts, staff should analyze the amounts to see if they are still valid payables and take steps to clear them.

Stores

Purchases for stores should be included in the cash flow. The timing of these payments will depend on whether supplies are ordered early in the year or if the district uses just-in-time purchasing.

Prepaid expenditures

Most prepaid expenditures occur at the end of a school year. Examples of prepaid expenditures include conference expenditures and insurance premiums.

C. Setting Up a Cash Flow Template/Model

1. Layout

Cash flows are usually in data table format with months listed horizontally left to right at the top of the columns and cash flow categories listed at the left of each row below. In the rows, a school district can set up cash flows using any of several different methods, including using the full account string, object codes or object code ranges, or organizing by program. The SACS Form CASH assigns an object code range to each row. For each month, the data can be organized as follows: the prior period's beginning balance; revenues/cash inflows with a subtotal; expenditures/cash outflows with a subtotal; and an ending cash balance for each month.

Cash Flow Procedures

2. Excel as a Tool

Cash flow templates should be set up to minimize data entry as much as possible. To accomplish this, the spreadsheet could have embedded formulas and, whenever possible, use standard data downloads that feed into schedules with links, VLOOKUP, HLOOKUP, SUMIF and/or other Excel functions. Always have balancing totals for error checking. The assumptions used in the cash flow template should be consolidated in one assumptions tab for easy reviewing and updating rather than embedded in formulas throughout the spreadsheet. The cash flow formulas should be linked to the appropriate assumptions so that when an assumption is changed it will automatically flow to all the linked formulas.

Maintain major programs/items, such as revenue limit and property taxes, in separate tabs or workbooks with links to the master cash flow. When using links to other workbooks, change the workbook settings to “Prompt user on automatic update for workbook links” so the master cash flow does not automatically update links with external content. This will prevent the numbers from changing until you want them to be updated.

3. Trends and Averages

Often the best method for projecting future cash outflows is to look at past trends and activity. Trends provide better information when they draw from a larger amount of data (e.g., multiple years rather than a single year). A simple average formula can be used, or a weighted average formula can be used that applies more weight to the more recent periods than to older periods. This implies that the recent and current periods are more representative of what will happen in the future.

Table 3 provides an example of a simple average and a weighted average for a school district’s expenditures as a percentage of annual expenditures by year (formulas are below the columns):

Cash Flow Procedures

Table 3: Example of simple average and weighted average expenditures by year.

Year	Simple	Weighted	Weight
2005/06	9.1%	9.1%	1
2006/07	9.2%	9.2%	1
2007/08	7.8%	7.8%	1
2008/09	8.2%	16.4%	2
2009/10	8.3%	24.9%	3
Average	8.3%	11.4%	

Year	July	August	September	October	November	December	January	February	March	April	May	June	Total	Monthly %
2005/06	1,435,371	2,359,448	2,149,274	1,537,385	1,702,861	1,547,567	1,547,567	1,547,567	1,547,567	1,547,567	1,547,567	1,547,567	15,475,667	1.5%
2006/07	2,114,485	2,417,365	1,710,644	2,415,483	1,541,586	1,425,431	1,425,431	1,425,431	1,425,431	1,425,431	1,425,431	1,425,431	14,254,311	1.4%
2007/08	4,183,288	3,099,987	2,726,476	2,762,345	1,627,100	2,268,212	2,268,212	2,268,212	2,268,212	2,268,212	2,268,212	2,268,212	22,682,120	2.3%
2008/09	3,133,888	3,231,588	2,839,871	2,712,523	2,186,758	3,172,973	3,172,973	3,172,973	3,172,973	3,172,973	3,172,973	3,172,973	31,729,730	3.2%
2009/10	2,810,531	1,982,810	2,811,534	2,293,113	1,986,911	2,115,898	2,115,898	2,115,898	2,115,898	2,115,898	2,115,898	2,115,898	21,158,980	2.1%
Average	2,871,342	2,702,224	2,435,650	2,386,466	1,869,579	2,167,836	2,167,836	2,167,836	2,167,836	2,167,836	2,167,836	2,167,836	21,678,360	2.2%
Total	12,256,711	11,708,121	12,159,000	11,332,139	9,046,000	13,528,109	13,528,109	13,528,109	13,528,109	13,528,109	13,528,109	13,528,109	135,281,090	13.5%

In column C of this example, the recent periods of 2008/09 and 2009/10 were given weights of 2 and 3, respectively. This produced an average more heavily influenced by these periods. In contrast, a simple average (column B) weights all periods equally.

Table 4 below shows one example of how a table can be set up to calculate monthly or seasonal percentages. Apply resulting monthly percentages to the annual projections to calculate the expected cash outflows for each month. With the initial setup of the cash flows, the sum of the percentages will add up to 100. As months pass and the actual outflows are used instead of the projections, the total will be more or less than 100%. To account for 100% of the annual projection, June can be used as the catch-up month.

Cash Flow Procedures

Table 4: Example of table to calculate monthly or seasonal percentages

FY	Salaries & Benefits Data Table												Totals
	July	August	September	October	November	December	January	February	March	April	May	June	
2003/04	\$ 7,235,680	\$ 9,290,802	\$ 10,918,042	\$ 11,290,378	\$ 11,441,634	\$ 11,377,776	\$ 11,149,332	\$ 11,524,555	\$ 11,449,727	\$ 11,560,751	\$ 11,382,219	\$ 11,535,813	\$ 130,156,708
2004/05	8,002,682	9,488,105	11,431,390	2,309,694	19,871,850	13,128,228	11,806,245	11,317,612	11,985,912	12,081,359	12,000,123	12,108,754	135,531,955
2005/06	8,296,944	10,097,322	12,308,996	12,449,154	12,333,245	12,389,372	12,281,731	12,476,970	12,556,692	13,166,170	12,353,929	12,710,856	143,421,380
2006/07	8,434,390	10,409,378	13,381,836	12,739,670	12,731,145	12,775,761	12,225,552	12,799,443	12,808,240	12,134,068	12,612,491	12,967,192	146,019,165
2007/08	8,199,698	15,882,393	13,677,433	17,034,307	14,798,341	14,071,443	13,812,409	13,728,589	14,459,180	13,815,352	14,805,690	14,033,671	168,318,507
2008/09	9,055,443	11,456,132	13,485,783	13,868,711	13,961,665	13,412,105	13,512,587	13,660,728	13,734,235	13,891,942	13,626,825	13,719,388	157,385,544
2009/10	13,554,516	12,993,960	13,638,147	13,639,210	13,565,648	13,678,497	13,585,735	13,403,953	13,673,112	13,567,913	13,671,162	13,530,430	162,502,283
Total	\$ 62,779,353	\$ 79,618,092	\$ 88,841,627	\$ 83,331,124	\$ 98,703,529	\$ 90,833,182	\$ 88,373,591	\$ 88,911,849	\$ 90,667,098	\$ 90,217,555	\$ 90,452,438	\$ 90,606,103	\$ 1,043,335,541
% of Total	6.0%	7.6%	8.5%	8.0%	9.5%	8.7%	8.5%	8.5%	8.7%	8.6%	8.7%	8.7%	

Monthly Outflows as a Percentage of Total

FY	July	August	September	October	November	December	January	February	March	April	May	June	Total
2003/04	5.6%	7.1%	8.4%	8.7%	8.8%	8.7%	8.6%	8.9%	8.8%	8.9%	8.7%	8.9%	
2004/05	5.9%	7.0%	8.4%			9.7%	8.7%	8.4%	8.8%	8.9%	8.9%	8.9%	
2005/06	5.8%	7.0%	8.6%	8.7%	8.6%	8.6%	8.6%	8.7%	8.8%	9.2%	8.6%	8.9%	
2006/07	5.8%	7.1%	9.2%	8.7%	8.7%	8.7%	8.4%	8.8%	8.8%	8.3%	8.6%	8.9%	
2007/08	4.9%	9.4%	8.1%	10.1%	8.8%	8.4%	8.2%	8.2%	8.6%	8.2%	8.8%	8.3%	
2008/09	5.8%	7.3%	8.6%	8.8%	8.9%	8.5%	8.6%	8.7%	8.7%	8.8%	8.7%	8.7%	
2009/10	8.3%	8.0%	8.4%	8.4%	8.3%	8.4%	8.4%	8.2%	8.4%	8.3%	8.4%	8.3%	
Average	6.0%	7.6%	8.5%	8.9%	8.7%	8.7%	8.5%	8.5%	8.7%	8.7%	8.7%	8.7%	100.2%
Population													
Variance	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

Cash Flow Procedures

Another method for projecting cash outflows is to use the percent of change from the prior month. Table 5 shows how a table can be set up to calculate the percent of change from one month to the next. According to Table 5, September cash outflows for supplies and services average 8.1% less than August. As Table 5 shows, there can be large changes from one year to the next for a given month. With the initial setup of the cash flows, the sum of the percentages will not add up to 100%. To account for 100% of the annual projection, use June as the catch-up month.

Cash Flow Procedures

Table 5: Sample of Table to show percent of change from month to month

Supplies & Services													
FY	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2005/06	\$ 1,435,317	\$ 2,302,448	\$ 2,149,274	\$ 1,837,362	\$ 1,702,527	\$ 1,567,597	\$ 1,858,400	\$ 1,338,477	\$ 2,634,965	\$ 1,542,258	\$ 2,717,291	\$ 2,907,012	\$ 23,992,927
2006/07	2,114,405	2,417,368	1,778,644	2,415,403	1,341,566	1,420,431	2,008,986	2,223,011	1,689,641	1,754,387	2,176,189	2,437,728	23,777,759
2007/08	4,163,259	3,859,997	2,726,476	2,363,240	1,827,105	3,258,312	2,568,259	1,808,237	2,100,600	2,897,310	2,575,180	2,945,022	33,092,997
2008/09	3,133,698	3,233,398	2,859,571	2,712,522	2,186,759	2,172,973	2,631,333	2,094,722	1,827,766	3,028,904	1,966,667	3,778,605	31,626,917
2009/10	2,510,031	1,982,910	2,651,035	2,203,813	1,988,931	2,118,855	5,046,810	1,792,655	2,857,760	1,781,146	2,148,212	3,278,935	30,361,092
Totals	\$ 13,356,711	\$ 13,796,121	\$ 12,165,000	\$ 11,532,339	\$ 9,046,888	\$ 10,538,169	\$ 14,113,788	\$ 9,257,102	\$ 11,110,732	\$ 11,004,005	\$ 11,583,539	\$ 15,347,301	\$ 142,851,692
Average	2,671,342	2,759,224	2,433,000	2,306,468	1,809,378	2,107,634	2,822,758	1,851,420	2,222,146	2,200,801	2,316,708	3,069,460	28,570,338
% of Total	9.4%	9.7%	8.5%	8.1%	6.3%	7.4%	9.9%	6.5%	7.8%	7.7%	8.1%	10.7%	100%

Change from Prior Month													
FY	July	August	September	October	November	December	January	February	March	April	May	June	
2005/06		867,131	(153,174)	(311,912)	(134,835)	(134,930)	290,803	(519,923)	1,296,488	(1,092,707)	1,175,034	189,721	
2006/07		302,963	(638,724)	636,759	(1,073,837)	78,866	588,554	214,025	(533,370)	64,745	421,802	261,539	
2007/08		(303,262)	(1,133,521)	(363,236)	(536,135)	1,431,207	(690,053)	(760,022)	292,363	796,710	(322,130)	369,842	
2008/09		99,700	(373,827)	(147,048)	(525,763)	(13,786)	458,360	(536,612)	(266,956)	1,201,139	(1,062,237)	1,811,938	
2009/10		(527,121)	668,125	(447,222)	(214,882)	129,925	2,927,954	(3,254,154)	1,065,104	(1,076,614)	367,066	1,130,723	
Totals		439,410	(1,631,121)	(632,660)	(2,485,451)	1,491,281	3,575,619	(4,856,686)	1,853,630	(106,727)	579,534	3,763,762	
Average		87,882	(326,224)	(126,532)	(497,090)	298,256	715,124	(971,337)	370,726	(21,345)	115,907	752,752	

Percent Change from Prior Month													
FY	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2005/06		60.4%	-6.7%	-14.5%	-7.3%	-7.9%	18.6%	-28.0%	96.9%	-41.5%	76.2%	7.0%	153.1%
2006/07		14.3%	-26.4%	35.8%	-44.5%	5.9%	41.4%	10.7%	-24.0%	3.8%	24.0%	12.0%	53.1%
2007/08		-7.3%	-29.4%	-13.3%	-22.7%	78.3%	-21.2%	-29.6%	16.2%	37.9%	-11.1%	14.4%	12.2%
2008/09		3.2%	-11.6%	-5.1%	-19.4%	-0.6%	21.1%	-20.4%	-12.7%	65.7%	-35.1%	92.1%	77.2%
2009/10		-21.0%	33.7%	-16.9%	-9.8%	6.5%	138.2%	-64.5%	59.4%	-37.7%	20.6%	52.6%	161.3%
Totals		3.3%	-11.8%	-5.2%	-21.6%	16.5%	33.9%	-34.4%	20.0%	-1.0%	5.3%	32.5%	37.5%
Average		9.9%	-8.1%	-2.8%	-20.7%	16.4%	39.6%	-26.4%	27.1%	5.7%	14.9%	35.6%	91.4%

Cash Flow Procedures

4. Population Variance

When using averages and trends, it is important to determine if there are one-time occurrences that are outside the normal data. For example, assume that Table 4 shows that in fiscal year 2004-05 the October cash outflow for the payroll was posted to the bank account on November 1 instead of October 31. Because these types of variances skew the trend and have a low probability of recurring, they should be excluded.

To help identify these instances, use the population variance function in Excel. The formula =VARPA(F1:F7) will calculate the population variance of the data in the range F1 to F7. Next, identify a reasonable population variance for each category. For example, the category of salaries and benefits will probably have a smaller acceptable variance than supplies and services. A common rule of thumb is that an acceptable variance includes 95% of the population. When October and November of fiscal year 2004-05 are excluded from the calculation in Table 4, the remaining data set still has 97 percent of the population. Conditional formatting can be used to make it easy to see instances that are outside the population variance. Table 4 also shows the use of the population variance.

Each year a school district will most likely have large payments one or two times a year, such as TRANs repayments or early retirement incentive payments. These items should be excluded from the trend analysis and should be projected as a separate item

D. Borrowing Options

In some cases a monthly cash flow is not enough and daily monitoring is required to determine if there is enough cash in a fund to cover the planned outflows. If temporary borrowing is required, a school district might have the option of borrowing internally from other funds or externally from other entities. Unlike internal borrowing, external borrowing includes costs to the district such as interest, issuance costs and other expenses.

1. Interfund Borrowing

Internal borrowing from other funds is covered in section III, A, 7 above.

2. Tax Revenue Anticipation Notes

GC 53850 to 53858 authorize a school district to issue notes and enumerate parameters for the indebtedness. No voter approval is necessary, but the governing board must adopt a resolution authorizing the issuance.

Cash Flow Procedures

TRANS are short-term interest bearing notes issued by a school district in anticipation of taxes and other revenues. The TRANS may not exceed 85 percent of the estimated amount of the uncollected revenues available to repay the note. Their maturity can be no greater than 15 months, and they are payable only from revenues received or accrued during the fiscal year the TRANS was issued. Federal tax laws governing positive arbitrage usually cause the maturity to be no greater than 13 months.

For the traditional TRANS issue, planning will usually start in spring, close in early July, and have two set-asides, one in January or February and the final in April. Mid-year TRANS issues are becoming more common recently because school districts are experiencing low cash situations later in the fiscal year. Many school districts participate in a TRANS pool that can be coordinated through the county office of education, which reduces the issuance costs to individual school districts. Various education industry associations and other private entities also offer TRANS pools.

3. County Treasury Loans

Education Code section 42620 requires the county treasurer to loan money to a school district that does not have sufficient cash to meet current expenses. The county treasurer will usually require a resolution approved by a school district's board. A school district shall not borrow more than 85% of the revenues accruing to the district. The last transfer of funds must be made prior to the last Monday in April. Repayment must be made from the first monies received by a school district before any other obligation is paid. The county treasurer will usually take repayment directly from the incoming cash.

4. County Office of Education Loans

Education Code sections 42621 and 42622 allow the county office of education to loan funds to a school district with the approval of the county board of education, but this option is rarely used. The loan cannot exceed 85% of the amount of money accruing to the district at the time of transfer and is subject to the funds available at the county office of education. The loan must be repaid prior to June 30, or, with the county board of education's approval, in the subsequent fiscal year.

Waiver of State Apportionment Deferrals

I. OVERVIEW

- A. Due to the cash shortfalls the state has experienced, there have been a series of deferrals of state apportionments to local educational agencies (LEAs), including K-12 school districts, county offices of education and charter schools. Some deferrals have been enacted in lieu of budget reductions to education, while others are specifically to assist the state in resolving its own cash shortfalls.
 - 1. Some of the deferrals are ongoing, while others are enacted by the legislature to deal with a projected cash problem in the current fiscal year. The details of these deferrals are found in Education Code Section 14041 and Government Code Sections 16325-16326.
 - 2. The deferrals are stated as dollar amounts to be deferred during specified months. Based on the apportionment schedule in effect, the deferrals will generally first impact the principal apportionment.
 - i. However, if the principal apportionment funds to be disbursed during the month are insufficient to meet the enacted deferral, categorical apportionments may also be affected to achieve the deferral amounts.
 - 3. LEAs have been able to accrue the revenues for the deferrals even though the cash may not be received until the following fiscal year. Additionally these deferred amounts are included as part of the following fiscal year's state education funding.
- B. Since the availability of cash to meet financial obligations is the first test of fiscal solvency, LEAs have been forced to use temporary borrowing options to meet their cash commitments (See P-027 Cash Flow Procedures).
- C. LEAs have the option to file an application (EC 14041.7(a)(2)) for an exemption from specified apportionment deferrals
 - 1. For some state deferrals, the legislation specifies that LEAs can certify to the State Superintendent of Public Instruction (SSPI) and Department of Finance (DOF) that the deferrals will result in the inability to meet expenditure obligations by specified deadlines after exhausting all other forms of temporary borrowing.
 - 2. The application for deferral exemption is subject to approval by the Department of Finance (DOF), with concurrence by the State Superintendent of Public Instruction (SSPI), before being implemented.

Waiver of State Apportionment Deferrals

3. The California Department of Education (CDE) notifies the LEA administrators of the deferrals eligible to be exempted or waived, as well as the process to follow to file an application for exemption from the deferral.

II. EXEMPTION PROCESS

- A. The CDE outlines the process and format by which LEAs are to apply for the exemption as well as the due date for submittal.
 1. The application will include the submission of an “Application and Certification to Exempt a School District/County Office of Education/Charter School from the XXXX Apportionment Deferral.” This form and directions can be found on the CDE Web site <http://www.cde.ca.gov/fg/fi/ir/>.
- B. Approval for the exemption will be based on the following conditions:
 1. The LEA has exhausted all internal and external sources of borrowing including those pursuant to Education Code Sections 42603, 42621; the California Constitution, Article XVI, Section 6l; and Government Code Section 53850 et. seq. This includes temporary short-term borrowing from the following sources: district interfund borrowing; borrowing from the county treasurer; borrowing from the county office of education and/or borrowing from external financial institutions (Tax and Revenue Anticipation Notes or TRANS).
 2. The apportionment deferral will result in the LEA being unable to meet all of its financial obligations during the time frame of the deferral.
 3. If the LEA does not receive the exemption, it will require a State emergency loan.
 4. A cash flow demonstrating that the LEA will be unable to meet its expenditure obligations for the deferral’s time frame.
 - i. The cash flow should reflect the latest state apportionment schedule, which can be found on the CDE website under the link referenced above.
 5. A narrative that describes the fiscal condition of the LEA and any actions taken to avoid fiscal insolvency.
- C. Process for Submission of Application for the Deferral Exemption
 1. The process is the same for all LEAs.

Waiver of State Apportionment Deferrals

2. District requests must be signed by the district superintendent and chief business official. The county superintendent must certify the district's application as true and correct prior to submission.
3. Charter school requests must be signed by the charter school administrator and chief business official. The charter's authorizing agency must certify the charter school's information as true and correct prior to submission.
4. County office requests must be signed by the county superintendent and chief business officer as being true and correct.
5. The original application and supporting documentation is sent to the DOF with a copy to the CDE.
6. After the DOF approves the request, the CDE will post the lists of exempted LEAs on its website and a notification is sent to the COEs as apportionment schedules will be adjusted for those LEAs.

III. COUNTY OFFICE ROLE IN SUPPORT OF EXEMPTION FROM APPORTIONMENT DEFERRALS

- A. The county office should include the following in support of the district or charter school application for deferral exemption. The county office should provide as much documentation as possible to support the application for qualifying LEAs.
 1. Provide LEAs with adequate lead time in developing their applications for exemption.
 2. Validate the LEA's cash flow and ensure that the revenue forecasts are consistent with the latest apportionment and cash flow schedules provided by the CDE.
 - i. When forecasting state aid for cash flow, county offices should be cognizant that the assumptions the CDE and DOF use may be different than that recommended by county offices for cash projections during the budget or interim period. (e.g., DOF assumption that the cash flow will reflect only those cash changes that have been adopted by the Legislature. Proposed deferrals would be excluded from the forecast).
 - a. County offices may ask districts to use a different approach than that asked by the state, which could result in a significant change in the cash position for interim and budget reporting purposes.

Waiver of State Apportionment Deferrals

3. Instruct the LEA to submit all board resolutions authorizing temporary borrowing already utilized or planned for: district inter-fund borrowing; borrowing from the county treasurer; borrowing from the county office of education and/or external financial institution borrowing (TRANs).
 - i. Districts may have applied for a TRAN to bridge the cash shortfall. This should be stated in the narrative and if the TRAN has not been received, note that the TRAN is yet to be funded. Districts may not be eligible for a TRAN due to their fiscal status or high cost of borrowing and if this is the case, the county office should state that in the narrative.
4. Validate and provide the cash balance for all district funds as of the date of the application.
 - i. If available, a monthly cash flow for those funds with significant cash balances could also be submitted.
 - a. Provide a statement as to whether or not districts can borrow from those funds and any restrictions on borrowing (e.g., cannot borrow from the bond fund or the cash in a fund is needed for future fund obligations).
 - ii. Document any extenuating circumstances that the district may face that are not evident in the cash flow but that would justify the exemption. For example, at the end of the fiscal year, a district may end June with a positive fund balance but their payroll will run on July 1. However, because of direct deposit, the district will need to have the cash available for the July payroll prior to July 1 to avoid a negative fund balance.
5. Submit any county office letters from the budget, interim reports or other reports that document cash concerns in support of the district's request.

Current Expense Formula and Reporting—SACS Form CEA

I. OVERVIEW

- A. Education Code (EC) section 41372 requires that elementary, unified and high school districts expend at least 60%, 55%, and 50% of their current cost of education, respectively, for classroom teacher and aide salaries, plus associated benefits. Each school district is required to complete the Standardized Account Code Structure (SACS) Form CEA, “Current Expense Formula/Minimum Classroom Compensation – Actuals,” and submit it with their unaudited actuals report to allow their county office of education to determine whether the district complies with EC section 41372.

SACS also includes an optional Form CEB, “Current Expense Formula/Minimum Classroom Compensation – Budget,” supplemental report with budget adoption software. Both Form CEA and Form CEB are populated by the SACS software and allow the user to adjust (or override) the reduction amounts if necessary. Although it is optional, districts should be encouraged to complete the Form CEB report to help avoid problems meeting the required percentage levels at year-end.

- B. Form CEA (or CEB) calculates the total classroom compensation percentage (objects 1000-3999 and functions 1000-1999) of the total actual expenditures in the general fund 01. The SACS software excludes certain resources, objects, goals and functions, from both classroom compensation and total expenditures. These exclusions eliminate expenditures of any program that does not allow classroom compensation costs or any restricted resource for which the specified funding use precludes compliance with EC section 41372 requirements. A current list of SACS software expense reductions can be found in the *SACS Software User Guide* within the SACS software.
- C. Districts with less than 101 units of ADA in the previous year are excluded from the CEA requirement. In addition, EC section 41374 states that EC section 41372 shall not apply to districts that maintain all “individual class sessions” with equal to or less than the following number of pupils in attendance:
1. An elementary school district – 28 pupils
 2. A high school district – 25 pupils
 3. A unified school district:
 - a. Grades K-8 – 28 pupils
 - b. Grades 9-12 – 25 pupils
 - c. Grades 7-9 of a junior high school shall be deemed to be high school grades for the purposes of this section.

Current Expense Formula and Reporting—SACS Form CEA

“Individual class session” shall not include classes in grades K-8 in the following subjects: visual and performing arts, industrial arts, and physical education. In grades 9-12, classes in commercial arts, visual and performing arts, industrial arts, vocational arts, and physical education shall not be included. In addition, grades 9-12 shall not include any two or more classes that come together for joint lectures or demonstrations.

II. COUNTY OFFICE RESPONSIBILITIES

- A. County offices of education must review the Form CEA supplemental report to ensure that school districts comply with EC section 41372. Form CEA is a required component of a district’s unaudited actuals report. The SACS software also includes an optional Form CEB supplemental report. County offices of education may request that the district also complete CEB forms at budget adoption.
- B. If, upon review of the district’s Form CEA report, it is determined that the district does not meet the required level of expenditure in classroom compensation, the board can apply in writing to the county superintendent of schools for a waiver no later than September 15th. The waiver can be granted for the following reasons:
 - 1. The application of EC section 41372 would result in a serious hardship to the district.
 - 2. The application of EC Section 41372 would result in the district paying its classroom teachers salaries that exceed those of other districts of comparable type and functioning under comparable conditions.
- C. The county superintendent of schools, upon receipt of the district’s application:
 - 1. Shall grant the waiver if the deficiency amount is less than \$1,000.
 - 2. May grant an exemption based on the merits of the application if the deficiency is more than \$1,000.
- D. If a waiver application is not received or is denied, the county office of education is required to designate an amount from apportionments made to the school district after April 15th in the current fiscal year equal to the apparent deficiency in district expenditures. The amount shall be deposited in the county treasury to the credit of the school district, but shall remain unavailable for expenditure by the district. The county superintendent shall order the designated amount (or amount not exempted) to be added to the amounts to be expended for classroom teachers’ salaries during the next fiscal year.
- E. The county superintendent of schools shall enforce the requirements prescribed by EC section 41372 and may adopt necessary rules and regulations to that end.

Current Expense Formula and Reporting—SACS Form CEA

III. COMPLETION OF FORM CEA AND POTENTIAL ISSUES

- A. Form CEA (or CEB) is completed automatically from data imported into SACS software.
- B. The only modification allowed to the amounts imported and calculated by SACS software is an optional adjustment in the “Reductions (Overrides)” column. This may be needed if expenditures that should be excluded are not already excluded by SACS software. For example, expenditures in the following resources, Other Federal – 5810, Other State – 7810, or Other Local – 9010, are not already excluded by an ineligible object, goal or function. An evaluation of the expenditures that roll up to these resources may be needed to determine if additional reductions are warranted based on the funding source or program they support (Ref. D7 below).

Districts should provide documentation or explain reduction override amounts, and these amounts should be verified by the county office of education.

- C. The district can enter an “X” on line 16 to indicate that it is exempt based on EC section 41374. The district should provide documentation regarding class size to support the determination.
- D. If the district does not meet the required percentage thus generating a deficiency in Part III, the district and/or county office of education should look for potential coding errors and other issues that would affect the CEA formula. The goal is to accurately reflect classroom compensation included in the formula (Part II – Minimum Classroom Compensation) and appropriately reduce or eliminate other costs from the total expenditures section (Part I – Current Expense Formula). Below are some examples of things to look for.
1. Classroom teachers and other classroom staff should be coded to function 1###, e.g., classroom aides, tutors, or other staff providing direct educational services.
 2. Whenever possible, classroom teachers and direct instructional support staff costs should not be coded to any resource excluded from the CEA calculation. Direct instructional support staff costs in Lottery RS 1100 are included in Part II.
 3. Expenditures coded to Lottery - RS 1100, are excluded in Part I. Review the possibility of reclassifying additional expenditures to this resource as appropriate. An increase in lottery expenditures will lower the total expenses in Part I.
 4. Review expenditures coded to functions 2100, 2130, 2140 to make sure that staff salaries or staff development costs, including substitutes, are not recorded here; these expenditures should be recorded as function 1000.

Current Expense Formula and Reporting—SACS Form CEA

The California School Accounting Manual (CSAM) states the following under function 2140:

A fee paid for an employee to attend a conference, or a salary stipend for attending a staff development conference, should follow the function of the employee. For example, the cost of a classroom teacher improving his or her ability to teach is an instructional cost, an “activity dealing directly with the interaction between teachers and students,” and should be charged to Function 1000.

5. Look for costs that should be coded to the goals and functions deducted in Part I (e.g. non-agency, community services, food services) but that currently are not. For example, for expenditures for shared staff and services among agencies, the contracted portion could be coded as non-agency. Also, if the district operates a child care program, that could be a community services goal. Coding to excluded goals or function codes reduces the total expenses in Part 1.
6. Review cost sharing between the district’s general fund and other funds or dependent charters. Are they using object 5750 to transfer program support costs or recording a fund transfer as payment for support costs? Using object 5750 will decrease costs in the general fund, thereby reducing total expenditures in Part 1.
7. Review expenditures coded to restricted “other” resources that are not included in the SACS software’s exemption list. Should they be in the formula? Are they restricted for a purpose that excludes their use for salaries and benefits of classroom staff (e.g. equipment, facilities, supplies only, staff development)? If so, manually removing them in column 4b would reduce overall expenses in Part 1.