



Alameda County Office of Education
AB1200 Presentation to the Alameda County Board of Education
September 9, 2002

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AB1200 Overview

Overview

AB1200 was enacted in 1991. It established additional fiscal review responsibilities for County Offices of Education. Under AB1200, the county superintendent shall review the interim reports and adopted budget of each school district for compliance with the standards and criteria adopted by the California State Board of Education. The county superintendent shall determine if the district budget allows the district to meet its financial obligations and if the budget enables the district to meet its multi-year financial commitments.

AB1200: A Review – Not An Audit

The County Office of Education is mandated to conduct a review of school districts finances, not an audit of detailed entries. There are two types of reviews:

- A review for technical errors in the districts unaudited actual revenues and expenditures prior to submission by the district to the state, and
- Reviews of budgets and interim reports for reasonableness and overall trends in district expenditures, revenues, and student attendance

Responsibilities of the Districts

It is the primary responsibility of the districts through their business staff, superintendent, and board, to develop and monitor a budget that meets standards and maintains the fiscal integrity of the district. This would include maintaining effective financial systems, recruiting and retaining qualified and trained staff, and implementing and maintaining effective internal controls.

Role and Responsibility of County Offices

County offices of education are charged with conducting a review of a district's finances to determine if their budget is balanced and state requirements are met. This is not an audit of detailed entries. Districts hire their own auditors.

County Offices do not have jurisdiction over how school site monies are allocated. If a County Office has concrete evidence of deficits or there is a failure to meet state requirements, it may utilize specific intervention strategies such as hiring additional fiscal expertise to assist a district.

Interim Reports

Districts shall submit two reports to the governing board during each fiscal year. The first report (first interim), shall cover the financial and budgetary status of the district for the period ending October 31. The second report (second interim) shall cover the period ending January 31. Both reports shall be approved by the district board no later than 45 days after the close of the report period (December 15 and March 16 or 17, depending on "leap year") {E.C. 42130}. If the board of any district neglects to file an interim report, the County Superintendent of Schools shall not make any apportionment of state or county school money to the school district or approve any warrant issued by the school district {E.C. 42128}.

- I. School districts shall 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, based on current forecasts, for the subsequent fiscal year. A **qualified** certification will be assigned to any district that **may** not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A **negative** certification **will** be assigned to any district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year {E.C. 42131}.
- II. If a county office of education receives a positive certification when it determines a negative or qualified certification should have been filed, the County Superintendent shall change the certification to negative or qualified, as appropriate {E.C. 42131 (a) (2)}.
 - A. No later than five days after receipt of the notice of a change to negative or qualified, the governing board of the school district may submit an appeal to the Superintendent of Public Instruction {E.C. 42131 (a) (2)}.
 - B. The Superintendent of Public Instruction shall determine the certification to be assigned to the district no later than 10 days after receiving the appeal and notify the school board and county office of education {E.C. 42131 (a) (2)}.
- III. Within 75 days of the close of a reporting period, all certifications classified as qualified or negative, shall be transmitted by the County Superintendent to the SPI and State Controller along with the County Superintendent's comments and report of actions proposed or taken {E.C. 42131 (a) (2)}.
 - A. Within 75 days after the close of each reporting period, each County Superintendent shall report to the state controller and the state SPI as to whether each school district under the county's jurisdiction has submitted the certification required {E.C. 42131 (c)}.
 - The Controller's office may conduct an audit or review of the fiscal condition of any district having a negative or qualified certification {E.C. 42131 (d)}.

Interim Reports

- B. Whenever a district has a qualified or negative certification, the County Office of Education may do one or more of the following:
- Exercise authority granted in Education Code 42127.6 and 42131 (b).
- IV. If the second interim report transmitted by a school district each fiscal year is qualified or negative, the governing board of that school district shall provide the County Superintendent, the SPI and the Controller with a financial statement no later than June 1 that projects the district's fund and cash balances through June 30 for the period ending April 30 {E.C. 42131 (e)}.
- V. A school district that has a qualified or negative certification in any fiscal year may not issue in that 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 that the districts repayment of that indebtedness is probable {E.C. 42133}.

AB 1200 Interim Reports

Certification	Positive	Qualified	Negative
Financial Obligations*	District <u>will</u> be able to meet its financial obligations for the current fiscal year <u>and</u> subsequent two years	District <u>may not</u> be able to meet its financial obligations for the current fiscal year <u>or</u> two subsequent fiscal years	District <u>will be unable</u> to meet its financial obligations for the remainder of the fiscal year <u>or</u> for the subsequent fiscal year
MYP Fund Balance & Cash**	Fund balance at the end of this fiscal year and the two subsequent fiscal years <u>will</u> be positive <u>and</u> cash balance <u>will</u> be positive at the end of this fiscal year	Fund balance at the end of this fiscal year and the two subsequent fiscal years <u>may not</u> be positive <u>and/or</u> cash balance <u>may not</u> be positive at the end of this fiscal year	Fund balance at the end of this fiscal year and the two subsequent fiscal years <u>will be negative and/or cash balance will be negative</u> at the end of this fiscal year
Reserves***	Available reserves <u>are not less than</u> the percentages listed in the Standards & Criteria♦		

These are the major criteria that determine certification status, however, these are not the only determining factors.

♦ Reserve Standard	Size of District by ADA
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

*Ed Code Section 42131
 **Standards & Criteria I
 ***Standards & Criteria II.1

Disapproved District Budget

- I. If the Superintendent of Public Instruction disapproves the budget under 42127.3 (b), the Superintendent of Public Instruction will notify the district governing board in writing of the reasons for the disapproval and for the remainder of the current fiscal year, the County Superintendent of Schools shall do the following as necessary.
- II. No later than November 30, the County Superintendent shall develop and adopt, in consultation with the Superintendent of Public Instruction and governing board of the school district, a fiscal plan and budget that will allow the district to meet its financial obligations, both in the current fiscal year and with regard to the district's multi-year financial commitments. The Superintendent of Public Instruction may extend the date noted above {E.C. 42127.3 (b) (1)}.
- III. Cancel purchase orders, prohibit the issuance of nonsalary warrants, and otherwise stop or rescind any action that is inconsistent with the budget adopted under E.C. 42127.3 (b) (1). The County Superintendent shall inform the district school board in writing of the justification for this authority {E.C. 42127.3 (b) (2)}.
- IV. Monitor and review the operation of the school district {E.C. 42127.3 (b)(3)}.
- V. Determine the need for additional staff and may employ, subject to approval by the Superintendent of Public Instruction, short-term analytical assistance or expertise to validate financial information if the district staff does not have the expertise or staff {E.C. 42127.3 (b) (4)}.
- VI. Require the school 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 {E.C. 42127.3 (b) (5)}.
- VII. Determine whether there are any financial problem areas and may employ, subject to approval by the Superintendent of Public Instruction, a certified public accounting firm to investigate financial problem areas {E.C. 42127.3 (b) (6)}.
- VIII. Withhold compensation of the members of the governing board and the district superintendent for failure to provide requested financial information {E.C. 42127.3 (b) (7)}.
- IX. If an agreement is reached between the governing board of the school district and the County Superintendent of Schools, and the school district revises its budget to comply with this agreement, the County Superintendent of Schools shall approve the district budget and the budget review committee selection, or its review of the budget shall be canceled {E.C. 42127.3 (c)}.

Lack of Going Concern

The AB1200 section of the education code does not use the term "Going Concern." However, Education Code Section 42127.6 has often been referred to as the Going Concern section. The term "Going Concern" does appear in the State Controller's K-12 Audit Guide under "other issues." The guide's statement on auditing standards (SAS) No. 59, states, "The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern," addresses the auditor's responsibilities and considerations when questions arise concerning an organization's ability to meet its obligations as they become due without substantial disposal of assets, restructuring of debt, externally forced revision of its operation, or similar actions. The ability to meet payment obligations as they become due is the key concept that causes SAS No. 59 to be directly applicable to government entities, including LEAs.

- I. 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 the district has a qualified certification, the County Superintendent shall notify the governing board and the SPI of the determination. The County Superintendent shall adhere to Education Code 42127.6 in assisting the school district. This assistance includes the paraphrased narrative of the code section. Please refer to E.C. 42127.6 for a complete listing.
 1. Assign a fiscal expert, paid for by the County Superintendent, to advise the district on its financial problem.
 2. Conduct a study of the financial and budgetary conditions of the district. If expertise is needed for the study, the County Office of Education may hire staff with the approval of the SPI. The school district shall pay 75 percent and the County Office of Education shall pay 25 percent of those staff costs.
 3. Direct the school district to submit a financial projection of all fund and cash balances of the district.
 4. Require the district to encumber all contracts and other obligations, to prepare appropriate cash flow analyses and budget revisions, to record all receivables and payables.
 5. Direct the district to submit a proposal for addressing the fiscal condition.
 6. Withhold compensation of the members of the governing board and district superintendent for failure to provide requested financial information.

Lack of Going Concern

- II. If, after taking any or all of the actions cited in E.C. 42127.6 (One through six), the County Superintendent determines that a district will be unable to meet its financial obligations for the current or subsequent fiscal year, the County Superintendent shall notify the governing board and SPI in writing. Within five days of the determination, an appeal may be made to SPI by the district and within 10 days of the appeal, the SPI shall sustain or deny any or all parts of the appeal. During the appeal process, the County Superintendent may stay any action of the governing board that is inconsistent with the district's ability to meet its financial obligations {E.C. 42127.6 (c) (d)}.
- III. If the appeal is denied or not filed, or if the district has a negative certification, the County Superintendent, in consultation with the SPI, shall, as necessary to enable the district to meet its financial obligation, do any or all of the actions listed in Education Code 42127.6 (e) (1, 2, 3, 4 & 5). These actions include the following paraphrased code section. Please refer to E.C. 42127.6 (e) for a complete listing.
1. Develop and impose, in consultation with the SPI and the governing board, a budget revision.
 2. 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.
 3. Assist in developing, in consultation with the governing board of the school district, a financial plan that will enable the district to meet its future obligations.
 4. Assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year.
 5. As necessary, appoint a fiscal advisor to perform any or all of the duties required of the County Superintendent under this section.
- IV. This section does not authorize the County Superintendent to abrogate any provisions of a collective bargaining agreement that was entered into by a school district prior to the date upon which the County Superintendent of Schools assumed authority {E.C. 42127.6 (g)}.

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**CALIFORNIA CODES
EDUCATION CODE
SECTION 42127**

42127. Formulation, adoption, approval, and revision of budget; procedure

(a) On or before July 1 of each year, the governing board of each school district shall accomplish the following:

(1) Hold a public hearing on the budget to be adopted for the subsequent fiscal year. The budget to be adopted shall be prepared in accordance with Section 42126. The agenda for that hearing shall be posted at least 72 hours prior to the public hearing and shall include the location where the budget will be available for public inspection.

(2) Adopt a budget. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board shall file that budget with the county superintendent of schools. That budget, and supporting data, shall be maintained and made available for public review. If the governing board of the district does not want all or a portion of the property tax requirement levied for the purpose of making payments for the interest and redemption charges on indebtedness as described in paragraph (1) or (2) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, the budget shall include a statement of the amount or portion for which a levy shall not be made.

(b) The county superintendent of schools may accept changes in any statement included in the budget, pursuant to subdivision (a), of the amount or portion for which a property tax levy shall not be made. The county superintendent or the county auditor shall compute the actual amounts to be levied on the property tax rolls of the district for purposes that exceed apportionments to the district pursuant to Sections 95 to 100, inclusive, of the Revenue and Taxation Code. Each school district shall provide all data needed by the county superintendent or the county auditor to compute the amounts. On or before August 15, the county superintendent shall transmit the amounts so computed to the county auditor who shall compute the tax rates necessary to produce the amounts. On or before September 1, the county auditor shall submit the rate so computed to the board of supervisors for adoption.

(c) The county superintendent of schools shall do all of the following:

(1) Examine the adopted budget to determine whether it complies with the standards and criteria adopted by the State Board of Education pursuant to Section 33127 for application to final local educational agency budgets. The superintendent shall identify, if necessary, any technical corrections that must be made to bring the budget into compliance with those standards and criteria.

(2) Determine whether the adopted budget will allow the district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments.

(d) On or before August 15, the county superintendent of schools shall approve or disapprove the adopted budget for each school district. If, pursuant to the review conducted pursuant to subdivision (c), the superintendent determines that the adopted budget for a school district does not satisfy paragraph (1) or (2) of that subdivision, he or she shall

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disapprove the budget and, not later than August 15, transmit to the governing board of the school district, in writing, his or her recommendations regarding revision of the budget and the reasons for those recommendations. The county superintendent of schools may assign a fiscal adviser to assist the district to develop a budget in compliance with those revisions. In addition, the county superintendent of schools may appoint a committee to examine and comment on the superintendent's review and recommendations, subject to the requirement that the committee report its findings to the superintendent no later than August 20.

(e) On or before September 8, the governing board of the school district shall revise the adopted budget to reflect changes in projected income or expenditures subsequent to July 1, and to include any response to the recommendations of the county superintendent of schools, shall adopt the revised budget, and shall file the revised budget with the county superintendent of schools. Prior to revising the budget, the governing board shall hold a public hearing regarding the proposed revisions, to be conducted in accordance with Section 42103. The revised budget, and supporting data, shall be maintained and made available for public review.

(f) On or before September 22, the county superintendent of schools shall provide a list to the Superintendent of Public Instruction identifying all school districts for which budgets may be disapproved.

(g) The county superintendent of schools shall examine the revised budget to determine whether it (1) complies with the standards and criteria adopted by the State Board of Education pursuant to Section 33127 for application to final local educational agency budgets, (2) allows the district to meet its financial obligations during the fiscal year, and (3) is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments, and, not later than October 8, shall approve or disapprove the revised budget. If the county superintendent of schools disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section **42127.1** unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed, and the State Department of Education approves the waiver after determining that a budget review committee is not necessary. Based on the waiver, the county superintendent immediately has the authority and responsibility provided in Section **42127.3**.

(h) Not later than October 8, the county superintendent of schools shall submit a report to the Superintendent of Public Instruction identifying all school districts for which budgets have been disapproved or budget review committees waived. The report shall include a copy of the written response transmitted to each of those districts pursuant to subdivision (d).

(i) Notwithstanding any other provision of this section, the budget review for a school district shall be governed by paragraphs (1), (2), and (3) of this subdivision, rather than by subdivisions (e) and (g), if the governing board of the school district so elects, and notifies the county superintendent in writing of that decision, not later than October 31 of the immediately preceding calendar year.

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On or before July 1, the governing board of a school district for which the budget review is governed by this subdivision, rather than by subdivisions (e) and (g), shall conduct a public hearing regarding its proposed budget in accordance with Section 42103.

(1) If the adopted budget of a school district is disapproved pursuant to subdivision (d), on or before September 8, the governing board of the school district, in conjunction with the county superintendent of schools, shall review the superintendent's recommendations at a regular meeting of the governing board and respond to those recommendations. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

(2) On or before September 22, the county superintendent of schools will provide a list to the Superintendent of Public Instruction identifying all school districts for which a budget may be tentatively disapproved.

(3) Not later than October 8, after receiving the response required under paragraph (1), the county superintendent of schools shall review that response and either approve or disapprove the budget. If the county superintendent of schools disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 42127.1 unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed, and the State Department of Education approves the waiver after determining that a budget review committee is not necessary. Based on the waiver, the county superintendent immediately has the authority and responsibility provided in Section 42127.3.

(4) Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

(j) Any school district for which the county board of education serves as the governing board is not subject to subdivisions (c) to (h), inclusive, but is governed instead by the budget procedures set forth in Section 1622.

42127.1. Budget review committee; formation; regional review committee; reimbursement

(a) Pursuant to subdivision (g) or (i) of Section 42127, upon the disapproval of a school district budget by the county superintendent, the county superintendent shall call for the formation of a budget review committee unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed, and the State Department of Education approves the waiver after determining that a budget review committee is not necessary. Based on the waiver, the county superintendent immediately has the authority and responsibility provided in Section 42127.3.

(b) The budget review committee shall be composed of three persons selected by the governing board of the school district from a list of candidates provided to the governing board by the Superintendent of Public Instruction. The list of candidates shall be composed of persons who have expertise in the management of a school district or county office of education. Their experience shall include, but not be limited to, the fiscal and educational aspects of local educational agency management.

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(c) Notwithstanding subdivision (b) or any other provision of this article, with the approval of the Superintendent of Public Instruction and the governing board of the school district, the county superintendent of schools may select and convene a regional review committee, consisting of persons having the expertise described in that subdivision. The regional review committee shall operate in place of the budget review committee, in accordance with the provisions of this article governing budget review committees.

(d) Members of the committee shall be reimbursed by the State Department of Education for their services and associated expenses while on official business at rates established by the State Board of Education.

42127.2. Review committee; selection and convening; time; recommendation; extension of deadline; audit

(a) The governing board of a school district shall, no later than five working days after the receipt of a candidate list from the Superintendent of Public Instruction pursuant to Section **42127.1**, select a budget review committee, and the Superintendent of Public Instruction shall convene the committee no later than five working days following that selection. If the governing board fails to select a committee within the period of time permitted by this subdivision, the Superintendent of Public Instruction instead shall select and convene the budget review committee no later than 10 working days after the district's receipt of the candidate list.

(b) No later than October 31, the budget review committee shall review the proposed budget of the district and the underlying fiscal policies of the district and transmit to the Superintendent of Public Instruction, the county superintendent of schools, and the governing board of the school district either of the following:

(1) The recommendation that the school district budget be approved.

(2) A report disapproving the school district budget and setting forth recommendations for revisions to the school district budget that would enable the district to meet its financial obligations both in the current fiscal year and with regard to the district's multiyear financial commitments.

(c) The Superintendent of Public Instruction may extend the deadline set forth in subdivision (b) for a period of not more than 15 working days.

(d) The Superintendent of Public Instruction shall establish criteria and procedures governing the performance by budget review committees of their duties under this section.

(e) Upon request of the county superintendent of schools, the Controller's office may conduct an audit or review of the fiscal condition of the school district in order to assist a budget review committee or regional review committee for the purposes of this section.

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42127.3. Review committee; effect of approval or disapproval of budget; response; powers of county superintendent; expenses; additional information

(a) If the budget review committee established pursuant to Sections **42127.1** and **42127.2** recommends approval of the school district budget, the county superintendent of schools shall accept the recommendation of the budget review committee and approve the budget.

(b) If the budget review committee established pursuant to Sections **42127.1** and **42127.2** disapproves the school district budget, the school district governing board, not later than five working days after receipt of the report described in paragraph (2) of subdivision (b) of Section **42127.2**, may submit a response to the Superintendent of Public Instruction, including any revisions to the adopted final budget and any other proposed actions to be taken as a result of the recommendations of the budget review committee. Based upon the recommendations of the budget review committee and any response to those recommendations provided by the governing board of the school district, the Superintendent of Public Instruction shall either approve or disapprove the budget. If the Superintendent of Public Instruction disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, for the remainder of the current fiscal year, the county superintendent of schools shall do the following as necessary:

(1) Not later than November 30, develop and adopt, in consultation with the Superintendent of Public Instruction and the governing board of the school district, a fiscal plan and budget that will govern the district and will allow the district to meet its financial obligations, both in the current fiscal year and with regard to the district's multiyear financial commitments. The Superintendent of Public Instruction may extend the date by which the county superintendent of schools is required to develop and adopt a fiscal plan and budget. The governing board of the school district shall govern the operation of the district for the current fiscal year in accordance with that adopted budget.

(2) Cancel purchase orders, prohibit the issuance of nonsalary warrants, and otherwise stay or rescind any action that is inconsistent with the budget adopted pursuant to paragraph (1). The county superintendent of schools shall inform the governing board of the school district in writing of his or her justification for any exercise of authority under this paragraph.

(3) Monitor and review the operation of the school district.

(4) Determine the need for additional staff and may employ, subject to approval by the Superintendent of Public Instruction, short-term analytical assistance or expertise to validate financial information if the district staff does not have the expertise or staff.

(5) Require the school 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.

(6) Determine whether there are any financial problem areas and may employ, subject to approval by the Superintendent of Public Instruction, a certified public accounting firm to investigate financial problem areas.

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(7) Withhold compensation of the members of the governing board and the district superintendent for failure to provide requested financial information. A forfeiture may be appealed to the Superintendent of Public Instruction pursuant to subdivision (b) of Section **42127.6**.

(c) If, during the selection of the budget review committee or during the committee's review of the budget, an agreement is reached between the governing board of the school district and the county superintendent of schools, and the school district revises its budget to comply with this agreement, the county superintendent of schools shall approve the district budget and the budget review committee selection, or its review of the budget, shall be canceled.

(d) The school district shall pay 75 percent and the county office of education shall pay 25 percent of the actual administrative expenses incurred pursuant to subdivision (b), or costs associated with improving the district's financial management practices. The Superintendent of Public Instruction shall develop, and distribute to affected school districts and county offices of education, advisory guidelines regarding the appropriate amount of any fees charged pursuant to this subdivision.

(e) This section shall not be construed to authorize the county superintendent of schools to abrogate any provision of a collective bargaining agreement that was entered into by a school district prior to the date upon which the county superintendent of schools disapproved the budget of the school district pursuant to subdivision (b).

42127.4. Operation of school district pending budget approval

Until a school district receives approval of its budget under this article, the school district shall continue to operate on the basis of whichever of the following budgets contains a lower total spending authority:

(a) The last budget adopted or revised by the governing board of the school district for the prior fiscal year.

(b) The unapproved budget for the current fiscal year, as adopted and revised by the governing board of the school district.

42127.5. Negative unrestricted fund balance or negative cash balance; statement of reasons and positive action

The governing board of any school district that reported a negative unrestricted fund balance or a negative cash balance in the annual report required by Section **42127** or in the audited annual financial statements required by Section 41020 shall include with the budget submitted in accordance with Section **42127** and the certifications required by Section 35015 a statement that identifies the reasons for the negative unrestricted fund balance or negative cash balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year.

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42127.6. School district operations monitoring; financial obligation nonpayment; superintendent powers and duties; appeal; expenses; warrants

(a) 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 certification pursuant to Section 42131, he or she shall notify the governing board of the school district and the superintendent of Public Instruction in writing of that determination and the basis for the determination. The notification shall include the assumptions used in making the determination and shall be available to the public. The county superintendent of schools shall do any or all of the following, as necessary, to ensure that the district meets its financial obligations:

(1) Assign a fiscal expert, paid for by the county superintendent, to advise the district on its financial problems.

(2) Conduct a study of the financial and budgetary conditions of the district that shall include, but not be limited to, a review of internal controls. If, in the course of this review, the county superintendent determines that his or her office requires analytical assistance or expertise that is not available through the district, he or she may employ, on a short-term basis, with the approval of the Superintendent of Public Instruction, staff, including certified public accountants, to provide the assistance and expertise. The school district shall pay 75 percent and the county office of education shall pay 25 percent of these staff costs.

(3) Direct the school district to submit a financial projection of all fund and cash balances of the district as of June 30 of the current year and subsequent fiscal years as he or she requires.

(4) 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.

(5) 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.

(6) 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 Superintendent of Public Instruction pursuant to subdivision (b).

Any contract entered into by a county superintendent of schools for the purposes of this subdivision is subject to the approval of the Superintendent of Public Instruction.

(b) Within five days of the county superintendent making the determination specified in subdivision (a), a school district may appeal the basis of the determination, and any of the proposed actions that the county superintendent has indicated that he or she will take to further examine the financial condition of the district. The Superintendent of Public Instruction shall sustain or deny any or all parts of the appeal within 10 days.

(c) If, after taking the actions identified in subdivision (a), the county superintendent determines that a district will be unable to meet its financial obligations for the current or subsequent fiscal year, he or she shall notify the school district governing board and the Superintendent of Public Instruction in writing of that determination and the basis for that determination. The notification shall include the assumptions used in making the determination and shall be available to the public.

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(d) Within five days of the county superintendent making the determination specified in subdivision (c), a school district may appeal that determination to the Superintendent of Public Instruction. The Superintendent of Public Instruction shall sustain or deny the appeal within 10 days. If the governing board of the school district appeals the determination, the county superintendent of schools may stay any action of the governing board that he or she determines is inconsistent with the district's ability to meet its financial obligations for the current or subsequent fiscal year until resolution of the appeal by the Superintendent of Public Instruction.

(e) If the appeal described in subdivision (d) is denied or not filed, or if the district has a negative certification pursuant to Section 42131, the county superintendent, in consultation with the Superintendent of Public Instruction, shall, as necessary to enable the district to meet its financial obligation, do any or all of the following:

(1) Develop and impose, in consultation with the Superintendent of Public Instruction and the school district governing board, a budget revision that will enable the district to meet its financial obligations in the current fiscal year.

(2) 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. This includes any actions up to the point that the subsequent year's budget is approved by the county superintendent of schools. The county superintendent of schools shall inform the school district governing board in writing of his or her justification for any exercise of authority under this paragraph.

(3) Assist in developing, in consultation with the governing board of the school district, a financial plan that will enable the district to meet its future obligations.

(4) Assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year. If necessary, the county superintendent of schools shall continue to work with the governing board of the school district until the budget for the subsequent year is adopted.

(5) As necessary, appoint a fiscal adviser to perform any or all of the duties prescribed by this section on his or her behalf.

(f) Any action taken by the county superintendent of schools pursuant to paragraph (1) or (2) of subdivision (e) shall be accompanied by a notification that shall include the actions to be taken, the reasons for the actions, and the assumptions used to support the necessity for these actions.

(g) This section does not authorize the county superintendent to abrogate any provision of a collective bargaining agreement that was entered into by a school district prior to the date upon which the county superintendent of schools assumed authority pursuant to subdivision (e).

(h) The school district shall pay 75 percent and the county office of **education** shall pay 25 percent of the administrative expenses incurred pursuant to subdivision (e) or costs associated with improving the district's financial management practices. The Superintendent of Public Instruction shall develop, and distribute to affected school districts and county offices of **education**, advisory guidelines regarding the appropriate amount of administrative expenses charged pursuant to this subdivision.

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(i) Notwithstanding Section 42647 or 42650, or any other provision of law, a county treasurer shall not honor any warrant when, pursuant to Sections **42127** to **42127.5**, inclusive, or pursuant to this section, the county superintendent or the Superintendent of Public Instruction, as appropriate, has disapproved that warrant or the order on school district funds for which a warrant was prepared.

(j) Effective upon the certification of the election results for a newly organized school district pursuant to Section 35763, the county superintendent of schools may exercise any of the powers and duties of this section regarding the reorganized school district and the other affected school districts until the reorganized school district becomes effective for all purposes in accordance with Article 4 (commencing with Section 35530) of Chapter 3 of Part 21.

42127.8. County office fiscal crisis and management assistance team; governing board; expenditures; assessments; administrative reimbursements; insurance coverage

(a) The governing board provided for in subdivision (b) shall establish a unit to be known as the County Office Fiscal Crisis and Management Assistance Team. The team shall consist of persons having extensive experience in school district budgeting, accounting, data processing, telecommunications, risk management, food services, pupil transportation, purchasing and warehousing, facilities maintenance and operation, and personnel administration, organization, and staffing. The Superintendent of Public Instruction may appoint one employee of the State Department of Education to serve on the unit. The unit shall be operated under the immediate direction of an appropriate county office of education selected jointly, in response to an application process, by the Superintendent of Public Instruction and the Secretary for Education.

(b) The unit established under subdivision (a) shall be selected and governed by a 23-member governing board consisting of one representative chosen by the California County Superintendents Educational Services Association from each of the 11 county service regions designated by the association, 11 superintendents of school districts chosen by the Association of California School Administrators from each of the 11 county service regions, and one representative from the State Department of Education chosen by the Superintendent of Public Instruction. The governing board of the County Office Fiscal Crisis and Management Assistance Team shall select a county superintendent of schools to chair the unit.

(c) The Superintendent of Public Instruction may request the unit to provide the assistance described in subdivision (b) of Section 1624, Section 1630, Section 33132, subdivision (b) of Section **42127.3**, subdivision (c) of Section **42127.6**, Section **42127.9**, and subdivision (a) of Section 42238.2, and to review the fiscal and administrative condition of any county office of education.

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(d) In addition to the functions described in subdivision (c), the unit shall do all of the following:

(1) Provide fiscal management assistance, at the request of any school district or county office of education. Each school district or county office of education receiving that assistance shall be required to pay the onsite personnel costs and travel costs incurred by the unit for that purpose, pursuant to rates determined by the governing board established under subdivision (b). The governing board annually shall distribute rate information to each school district and county office of education.

(2) Facilitate training for members of the governing board of the school district, district and county superintendents, chief financial officers within the district, and schoolsite personnel whose primary responsibility is to address fiscal issues. Training services shall emphasize efforts to improve fiscal accountability and expand the fiscal competency of local agencies. The unit shall use state professional associations, private organizations, and public agencies to provide guidance, support, and the delivery of any training services.

(3) Facilitate fiscal management training through the 10 county service regions to county office of education staff to ensure that they develop the technical skills necessary to perform their fiduciary duty. The governing board established pursuant to subdivision (b) shall determine the extent of the training that is necessary to comply with this paragraph.

(4) Produce a training calendar, to be disseminated semiannually to each county service region, that publicizes all of the fiscal training services that are being offered at the local, regional, and state levels.

(e) The governing board shall reserve not less than 25 percent, nor more than 50 percent, of its revenues each year for expenditure for the costs of contracts and professional services as management assistance to school districts or county superintendents of schools in which the board determines that a fiscal emergency exists.

(f) The governing board established under subdivision (b) may levy an annual assessment against each county office of education that elects to participate under this section in an amount not to exceed twenty cents (\$.20) per unit of total average daily attendance for all school districts within the county. The revenues collected pursuant to that assessment shall be applied to the expenses of the unit.

(g) The governing board established under subdivision (b) may pay to the State Department of Education, from any available funds, a reasonable amount to reimburse the department for actual administrative expenses incurred in the review of the budgets and fiscal conditions of school districts and county superintendents of schools.

(h) When employed as a fiscal adviser by the State Department of Education pursuant to Section 1630, employees of the unit established pursuant to subdivision (a) shall be considered employees of the department for purposes of errors and omissions liability insurance.

**District Advisory Services
Other Related Responsibilities To School Districts**

CBO for small Direct Service Districts	Year-End Closing Workshop
NPS/LCI Reporting	Revenue Limit Calc & Submission
Tax Override/Bond I&R Reporting	Gann Limit
Audit Consortium RFP	Directors Meetings/Teleconferences
Deferred Maintenance Calculations	ERAF Calculations & Posting
SSC Consortium	Golden Handshake
Annual Statistical Report	Board Elections
Coordinate & Review State Reports	District Boundaries
Charter School Review Committee & Monitoring/Advisory Services	Audit Review & Resolution
Review of Collective Bargaining Agreements	Resource for Districts: Accounting Questions SACS Questions Liaison with State Dept. of Ed.

**District Business Services
Responsibilities to School Districts**

Processes District Accounts Payable & Payroll	Distributes Property Taxes & Apportionments
Student Attendance Reporting	Interest Calculations & Posting
Posts Budgets & Maintains Financial Statements for Districts	Liaison with the County Auditor-Controller's Office
Reconciles & Monitors Cash Accounts	