

Fiscal Procedural Manual

*For Business Officials in
California County Offices of Education*

Original Publication: 2005

First Updated: 2006

Second Update: 2007

Third Update: 2008

Fourth Update: 2009

Fifth Update: 2010

Sixth Update: 2011

Presented by

The Fiscal Crisis & 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 & Management Assistance Team (FCMAT) Board of Directors, and in conjunction with the California County Superintendent Educational Services Association (CCSESA) subcommittee, Business & Administration Steering Committee (BASC), and School Financial Services Subcommittee (SFSS), I wish to thank the many people who assisted in the development and revision of the Fiscal Procedural Manual for California County Office of Education (COE) Business Officials.

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 assist all school business officials working in county offices in maintaining 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 SFSS are recognized in the review and finalization of the COE Fiscal Procedural Manual. Special thanks to the following SFSS members, who updated this year's selected procedures.

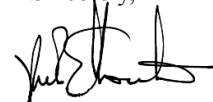
Diane Lacombe, El Dorado COE	Michelle Plumbtree, FCMAT
Gail Atwood, Sutter COE	Linda Visnick, San Diego COE
Jeri Blote, San Joaquin COE	Tommy Welch, Solano COE

A special thank you also to the following BASC/SFSS subcommittee members, who met with and assisted FCMAT in the final development of this product:

Mary Jarvis, San Luis Obispo COE	Damon Smith, Imperial COE
Terena Mendonca, El Dorado COE	Michelle Plumbtree, FCMAT
Diane Lacombe, El Dorado COE	

Thanks also to FCMAT writer John Lotze for final editing and design of this document.

Sincerely,



Joel D. Montero
Chief Executive Officer, FCMAT

Introduction

On behalf of the Fiscal Crisis & Management Assistance Team Board of Directors and the Kern County Superintendent of Schools, I am pleased to present the County Office of Education Fiscal Procedural Manual. We anticipate that COE Business Officials will find the manual useful and beneficial in performing their required duties related to evaluating the operation of school district finances.

This manual is designed to be user friendly. It outlines 27 procedures and adopted standards that are 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 fiscal requirements. This manual is intended as a guide, not a mandate, and can be used by every COE in California as an external document to assist in the monitoring of activities required by AB1200.

The COE Fiscal Procedural Manual was produced by FCMAT and its Administrative Agent, the Kern County Superintendent of Schools. As listed on the acknowledgement page, many people assisted in the creation of this manual. The California County Superintendent Educational Services Association sub-committee Business & Administration Steering Committee, performed the final review of the manual.

The COE Fiscal Procedural Manual is available for download, free of charge, from the FCMAT website at www.fcmat.org. There, you'll also find numerous forms, letters and spreadsheets that are presented in the manual. Of course, this manual is a living document, and as new procedures are developed, FCMAT will forward hard copies of the changes to each COE to replace the outdated procedures.

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

Sincerely,



Joel Montero
Chief Executive Officer, FCMAT

Timeline for Updating Procedures

COE Fiscal Procedural Manual

FCMAT, in partnership with CCSESA, BASC and SFSS, has developed the following timeline and process for updating the 26 procedures in the COE Fiscal Procedural Manual. BASC adopted the following annual cycle for updating the procedural manual:

March - November	SFSS reviews and updates selected procedures.
November	BASC subcommittee meets and reviews SFSS updated procedures at CASBO CBO Symposium.
December	FCMAT and SFSS finalize updates.
January	BASC reviews and approves updates.
February	FCMAT edits and formats.
February/March	FCMAT posts updated procedures at http://www.fcmat.org . Release of approved updated procedures is announced at BASC Annual Conference.

Index

Acknowledgements	i
Introduction.....	iii
Timeline for Updating Procedures	v
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	2/2011
P-001	Calendar	2/2011
P-002	Which Entities Are Included	2/2011
P-003	Facility Maintenance Accounts	2/2010
P-004	AB 1200 Overview	1/2005
P-005	Budget Review	1/2009
P-006	The Unaudited Actuals	1/2009
P-007	Interim Report Review	1/2009
P-008	Audits	1/2007
P-009	Charter Schools	1/2009
P-010	Cash	2/2010
P-011	Internal Controls for AB 1200	1/2005
P-012	Approving District Orders	1/2005
P-013	Fiscally Accountable and Fiscally Independent Districts	1/2005
P-014	Disclosures for Negotiations	1/2005
P-015	Apportionment Posting	1/2006

Index

Procedures (cont.)

Procedure Number	Procedure Name	Date Adopted or Revised
P-016	Education Revenue Augmentation Fund (ERAF)	1/2008
P-017	Property Taxes	1/2005
P-018	CalPERS and CalSTRS Reporting	1/2005
P-019	Attendance Accounting	1/2005
P-020	Revenue Limit	1/2008
P-021	Special Education	2/2011
P-022	Services to Districts	1/2005
P-023	Debt	2/2010
P-024	AB 1200 Reimbursements	1/2008
P-025	District Reorganization	1/2005
P-026	Working with the County	1/2005
P-027	Cash Flow Procedures	2/2011

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 deferred maintenance and the ongoing and major maintenance account. Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.
	P-005	<i>Budget Review</i> <ul style="list-style-type: none">• Districts must file the adopted budget 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 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</i> <ul style="list-style-type: none">• County office of education exports annual attendance data to the California Department of Education (CDE) no later than mid-July.

Calendar

August

P-003

Facility Maintenance Accounts

- Confirm data in maximum deferred maintenance funding letter from CDE.
Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.
- Send copy of CDE letter to all LEAs.
Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.

P-005

Budget Review

- 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. 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-017

Property Taxes

- County office submits tax information no later than August 15 using the CDE's on-line software.
- By August 31, county office submits prior year annual Miscellaneous funds data using the principal apportionment revenue software

September

P-005

Budget Review

- 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

Charter Schools

- 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.

Calendar

October

P-003

Facility Maintenance Accounts

- Prepare the SAB 40-21, Certification of Deposits.
Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.
- Send a copy of the worksheet calculation of the minimum match to all LEAs to allow the LEA to confirm the calculation and the amounts that will be reported for both Deferred Maintenance and Ongoing and Major Maintenance.
Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.

P-005

Budget Review

- No later than October 8, the county superintendent must:
 - Approve or disapprove the budget for districts whose budgets were conditionally approved or disapproved 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

Unaudited Actuals

- 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

Property Taxes, Attendance, Revenue Limit

- By October 1, submit LEA corrections for prior fiscal years using the CDE's online software.

Calendar

**October
(cont.)**

P-019

Attendance

- By October 31, submit prior year annual LEA Regional Occupational Center/Program (ROC/P) Handicapped data using the CDE's online software.

P-021

Special Education

- By October 31, submit prior year annual LEA Infant data using the CDE's online software.

Calendar

November	P-005	<i>Budget Review</i>	<ul style="list-style-type: none">• Not 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	<i>Property Taxes</i>	<ul style="list-style-type: none">• County office submits tax information no later than November 15 using the CDE's on-line software.
	P-020	<i>Revenue Limit</i>	<ul style="list-style-type: none">• By November 15, submit prior year annual revenue limit data and finding selection for necessary small schools using the CDE's online software.• By November 30, county office of education submits revenue limit data to the CDE for P-1.
	P-021	<i>Special Education</i>	<ul style="list-style-type: none">• By November 15, applicable counties submit prior year annual SELPA ADA allocation and Special Education tax allocation data using the CDE's online software.• By November 30, submit prior year annual NPS Extraordinary Cost Pool claim data using the CDE's online software. Hard copies of supporting documentation (copies of paid invoices) must also be postmarked by this date.

December

P-007

First Interim Report

- 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, October 31).

P-008

Audits

- 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 SCO and CDE by December 1.
- County superintendent is responsible for reviewing the audit exceptions in the report related to:
 - 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

Charter Schools

- 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.

Calendar

January

P-003

Facility Maintenance Accounts

- No later than 60 days after the SAB apportions the basic grant mail the SAB 40-21, *Certification of Deposits*.
Note: does not apply through 2012-13 due to SBX3 4 and ABX4 2.

P-007

First Interim Report

- 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 Office of the Controller (SCO) and the SPI whether each district under their jurisdiction provided the required certification and the type of certification for each district.

P-008

Audits

- Update the auditor selection letter.
- Send letter to LEAs requesting information on the selection of their auditors.
- Review all audit exceptions related to :
 - Attendance
 - Inventory of equipment
 - Internal control
 - Miscellaneous
- Send letter to LEAs with deficiencies in the plan of correction for audit exceptions.

Calendar

**January
(cont.)**

P-019

Attendance

- County office of education exports attendance data to the CDE no later than mid-January.
- By January 15, submit P-1 LEA ROC/P handicapped data using the CDE's online software.

P-020

Revenue Limit

- By January 15, submit P-1 funding selection for necessary small schools using the CDE's online software.

P-021

Special Education

- By January 15, submit P-1 LEA infant data using the CDE's online software.
- By January 15, applicable counties submit P-1 SELPA ADA allocation and special education tax allocation data using the CDE's online software.

Calendar

March	P-007	<i>Second Interim Report</i>	<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, 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, Revenue Limit</i>	<ul style="list-style-type: none">• By March 15, submit LEA corrections for prior fiscal years using the CDE's online software.

Calendar

Month	Item ID	Item Name	Details
April	P-007	<i>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 Controller 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 on-line software.
	P-020	<i>Revenue Limit</i>	<ul style="list-style-type: none">• By April 15, county office submits P-2 revenue limit data and certifications to the CDE.

Calendar

May

P-008

Audits

- 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 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

Attendance

- County office of education exports P-2 attendance data to the CDE no later than May 1.
- By May 1, submit P-1 LEA ROC/P handicapped data using the CDE's online software.

P-020

Revenue Limit

- By May 1, submit P-2 funding selection for necessary small schools using the CDE's online software.

P-021

Special Education

- By May 1, submit P-2 LEA infant data using the CDE's online software.
- By May 1, applicable counties submit P-2 SELPA ADA allocation and special education tax allocation data using the CDE's online software.

Calendar

June

P-007

Third Interim Report

- 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.

Calendar

Annually
(No Dates
Specified,
or As
Needed)

P-007

Districts With Disapproved Budget, Qualified or Negative Interim Certification or Other Fiscal Uncertainty

- 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 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	Revenue Limits	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.

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 (SELPA) 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

- v. Countywide SELPAs with Joint Powers Agreements (JPAs)
- vi. All Charter School LEA SELPA(s)
- d. If the county also serves as the SELPA, the county 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 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.

Special Education

- 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 revenue limit 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

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.

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%	
June ²	Balance Due	Balance Due	Balance Due	P-2

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

Cash Flow Procedures

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:

- 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).

Cash Flow Procedures

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.

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.

Cash Flow Procedures

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.

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.

Cash Flow Procedures

- 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

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:

Cash Flow Procedures

- 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.

- 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.

Cash Flow Procedures

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.

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	Mav	Weighted	Weight	FY	July	August	September	October	November	December	Jan
2005/06	11.3%	11.3%	11.3%	1	2005/06	1,435,317	2,302,448	2,149,274	1,837,362	1,702,527	1,567,597	1,812,431
2006/07	9.2%	9.2%	9.2%	1	2006/07	2,114,405	2,417,368	1,778,644	2,415,403	1,341,566	1,420,431	2,045,312
2007/08	7.8%	7.8%	7.8%	1	2007/08	4,163,259	3,859,997	2,726,476	2,363,240	1,827,105	3,258,312	2,548,910
2008/09	6.2%	12.4%	12.4%	2	2008/09	3,133,698	3,233,398	2,859,571	2,712,522	2,186,759	2,172,973	2,681,522
2009/10	8.1%	18.3%	18.3%	3	2009/10	2,510,031	1,982,910	2,651,035	2,203,813	1,988,931	2,118,855	5,046,898
Average	8.1%	7.4%	7.4%	8	Average	2,671,342	2,759,224	2,433,000	2,306,488	1,809,378	2,107,634	2,681,522
	=AVERAGE(B3:B7)	=SUM(C3:C7)/D8			Totals	13,356,711	13,796,121	12,165,000	11,532,339	9,046,898	10,538,169	14,145,312
					Monthly %	9.4%	9.7%	6.6%	6.1%	6.4%	7.4%	

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

Salaries & Benefits Data Table													
FY	July	August	September	October	November	December	January	February	March	April	May	June	Totals
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%	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%	8.9%
2004/05	5.9%	7.0%	8.4%	9.7%	8.6%	9.7%	8.7%	8.4%	8.8%	8.9%	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%	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%	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%	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%	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%	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%	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	\$ 142,861,692
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	Totals
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	153.1%
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	53.1%
2007/08		(303,262)	(1,133,521)	(363,236)	(536,135)	1,431,207	(690,063)	(760,022)	292,363	796,710	(322,130)	369,842	12.2%
2008/09		99,700	(373,827)	(147,048)	(525,763)	(13,766)	458,360	(536,612)	(266,956)	1,201,139	(1,062,237)	1,811,938	77.2%
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	161.3%
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	37.5%
Average		87,882	(326,224)	(126,532)	(497,090)	298,256	715,124	(971,337)	370,726	(21,345)	115,907	752,752	91.4%

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.

