

November 4, 2014

TO: School District Administrators

FROM: Division of Administration, Finance & Accountability

SUBJECT: 2014-15 First Interim Financial Reporting

Education Code (EC) Sections 35035(i), 42130, and 42131 require the Governing Board of each school district to certify at least twice a year through the Interim Report Process the district's ability to meet its financial obligation for the remainder of that fiscal year and for the subsequent two fiscal years.

The First Interim Report for fiscal year 2014-15, must be board approved and is due to Kern County Superintendent of Schools on or before December 15, 2014. Hard copy forms containing original signatures must be delivered to our office and the corresponding official DAT file must be emailed to:

District Advisory Services
6th Floor
Attention: Steven Gragg
1300 17th St – City Centre
Bakersfield CA 93301
stgragg@kern.org

Attached are several documents containing key information and assumptions for preparing your First Interim Report. These assumptions, instructions and guidelines are recommended for use by districts in developing their 2014-15 First Interim and multiyear projections. Your alliance to the provided assumptions and/or any variances in assumptions must be noted in your reporting.

STATE CRITERIA AND STANDARDS

Form CI has summarized data from the Criteria and Standards Review form in order to provide additional support to the district Governing Board's certification process. The certification shall be classified as positive, qualified or negative, defined as follows:

CERTIFICATIONS (EC 42131 (a) (1)):

1. A Positive Certification shall be assigned for those LEAs that WILL MEET their financial obligations for the current and two subsequent fiscal years (meets state minimum reserve levels in all years).
2. A Qualified Certification shall be assigned for those LEAs that MAY NOT MEET their financial obligations for the current or two subsequent fiscal years (not meeting reserves in one year).

3. A Negative Certification shall be assigned for those LEAs that WILL BE UNABLE TO MEET their financial obligations for the remainder of the current or subsequent fiscal year based upon current projections (not meeting reserves in current year or not maintaining a positive cash balance in the current or first subsequent year).

STATE STANDARDIZED ACCOUNT CODE STRUCTURE (SACS) SOFTWARE

The SACS2014ALL software contains all of the components to complete the First Interim Report. Districts must import their Adopted Budget Official DAT file (located in your SACS2014 folder) into the SACS2014ALL Interim Reporting software. This process will import the Criteria and Standards information from the Adopted Budget in the applicable sections.

COUNTY OFFICE ASSISTANCE

The staff in District Advisory is available to assist you in the following areas:

- Revenue and Budget Projection – LCFF revenue projections, Educational Protection Account, Lottery, State Aid, and Special Education
- Cash Flow Projections
- Software

Our office has provided you with a checklist of all appropriate certifications, reports, completed attachments and other documentation. Adherence to this checklist will ensure a complete and timely submission.

If you have any questions concerning the completion of the First Interim Financial Report and additional documentation, please contact your designated District Advisory Advisor.

JN:mrp

Enc.

**RECOMMENDED LIST OF TOPICS
THAT SHOULD BE REVIEWED AND POSSIBLY UPDATED**

- Projected growth/decline in actual Average Daily Attendance (ADA)
- Revenues (including increases/decreases since the adopted budget)
- Expenditures (including increases/decreases since the adopted budget, especially cost differences for salary and benefits, changes in salary schedules, and step and column placements)
- General Fund obligations for debt repayment (e.g. Certifications of Participation [COPs], lease-purchase)
- Anticipated cash shortages
- Lottery projections
- Changes in ending fund balances (including increase/decrease since adopted budget)
- Categorical programs (including increases/decreases in award amounts)
- Potential debt issuance
- Reconciling Board Financials
 - Reverse any deferred revenues
 - Check accounts payables & receivables balances

INSTRUCTIONS FOR COMPLETING THE FIRST INTERIM FINANCIAL REPORT

The Interim Financial Report documentation to be submitted and certified by the Governing Board and transmitted to District Advisory Services consists of the following:

- ❖ **Form CI – District Certification of Interim Report (must contain original signatures of the Board President and the District Superintendent or designee).** This form contains the Met/NOT Met and Yes/NO responses from the Criteria and Standards (C&S).
- ❖ **Form AI – Average Daily Attendance Detail**
 - The first column (A) reflects your original Adopted Budget Revenue Limit ADA and is extracted from the Adopted Budget DAT file into this software.
 - The second column (B) will require you to input any updated ADA used for any budget transfers made to the LCFF calculations since the Adopted Budget and posted in your current operating budget. This will only be different from Column A if you adjusted your ADA estimates.
 - The third column © reflects your current projected P-2 ADA that you expect to report on this year's P-2 Attendance reports. This is not funded ADA. Input what you project to report on this year's P-2 Attendance reports.
 - The fourth column (D) should reflect the ADA the district is using to compute the LCFF projections for the current year. For non-declining districts, this is the same ADA as in Column C. For declining ADA districts, this column D is where you will enter your prior year guarantee ADA, this is the ADA used in your LCFF projections.
- ❖ **Form 01I – General Fund Summary (Must be system generated using first period dates 7/1/2014 – 10/31/2014 and imported into the SACS2014ALL software for processing).**
 - The first column (A) must reflect the Final Budget adopted by the Board and submitted to our office.
 - The second column (B) must reflect the “latest” Board – Approved operating budget and the Unaudited Actuals adjustments to the 2014-15 Adopted Beginning Balance in Object 9791. **For some district's column A & B will be the same.**
 - The third column (C) must reflect actual revenues received and expenditures paid as of the end of the report period, 7/1/14 – 10/31/14.
NOTE: Column C must agree with the data on a budget report writer (BDX110) generated from the system using the dates of 7/1/14 – 10/31/14.
 - The fourth column (D) is the District's projected totals for the fiscal year.
NOTE: Column D represents projections of all anticipated revenues and expenditures applicable to the 2014-15 fiscal year. Amounts reflected in column D represent the district's most current estimate of year-end for 2014-15. This column should not reflect the same estimates as used in Column B.
 - The fifth & sixth column (E & F) calculates automatically.
- ❖ **Other Funds** – the software will automatically extract and bring into the SACS software all district funds, including detailed object codes. Please submit the Other District Funds to us in the same manner as Fund 01I. Please review these other funds forms carefully to ensure that you still have a positive ending fund balance for all funds.
- ❖ **Form CASH – Cash Flow** - Actual and projected amounts for the total combined General Fund. Districts **MUST** reconcile the monthly cash balances listed through October 31st on this form to the monthly Cash Balance report in QCC/QSS. **An alternate excel spreadsheet may be utilized in place of Form CASH.**

- ❖ **Form 01CSI State – Criteria and Standards** – The criteria and standards review now consists of three sections: Criteria and Standards, Supplemental Information, and Additional Fiscal Indicators. Be sure to read the instructions for each standard and criterion carefully, because some only refer to unrestricted data for revenues/expenditures and deficit spending. For most sections, the data are extracted from the Supplemental forms, the 2013-14 Unaudited Actuals, and the imported 2014-15 Adopted Budget DAT file. Each section compares the data to historical trends or state variance levels and determines a Met or Not Met status or a Yes or No status. For each Not Met or No status, the district must provide a written explanation of why it is not meeting that particular standard or variance level. Your TRC will indicate a warning error if you have not completed each section requiring an explanation of a Not Met or No status. Some areas where data were extracted in the past are not unlocked for manual entry due to changes made necessary by the LCFF.
- ❖ **Form MYP – Multiyear Projection** – covers fiscal years 2014-15 through 2016-17 and indicates percent and amount of unrestricted reserves available in the ending fund balance as compared to your district's state required reserve levels. LEAs are required to submit multiyear (current and two subsequent fiscal years) projections for their General Fund. LEAs may use their own multiyear projection format as long as it provides current and two subsequent fiscal years; separately projects unrestricted resources, restricted resources, and combined total resources; and shows the percent change between years. However, if Form MYPI is used, applicable data from Form MYPI will extract into the Criteria and Standards Review form (Form 01CSI), reducing the amount of data entry into Form 01CSI.
- ❖ **Form SEMAI – Special Education MOE** – is used to monitor an LEA's MOE compliance. The 2014–15 Projected Totals are extracted from general ledger data. Use the Adjustments column to make adjustments to those amounts in order to reflect correct projected expenditures that are not yet recorded in the general ledger data. Enter the best estimate of your unduplicated pupil count in fiscal year 2014-15 and the second tab for fiscal year 2013-14 Actuals (extracted from unaudited actuals). Section 3, Part A, columns A and B are automatically extracted from Section 1, Section 2, and the other two LEA worksheets, except for lines 3 and 5, which are calculated. Column C is calculated.

FIRST INTERIM CHECKLIST

DISTRICT: _____

CONTACT PERSON: _____ PHONE/EXT: _____

- Form CI:** Interim Report Certification Page (with original signature, with Met/Not Met & Yes/No Indicators
 - Positive Qualified **NEGATIVE**
- Interim Report DAT File**
 - Date emailed to Steven Gragg (stgragg@kern.org): _____ Official Other (explain why)

- FCMAT LCFF Calculation** completed by district. Electronic copy sent to District Services Advisor.
- Technical Review Checklist** with no fatal errors
 - Operating Budget Projected Totals Actuals to date
- Form AI:** Average Daily Attendance
- Form CASH** or excel spreadsheet (reconciled with actuals through October 31st)
- Form MYPI:** Multiyear Projections using base year 2014-15 and projections for 2015-16 and 2016-17
- Detailed Assumptions**, or copies of documentation/Power Point presentations that will assist us in our review of projected budget
- Form 01I:** General Fund (Restricted, Unrestricted and Combined)
- Forms 09I – 71I:** All other District Funds and accounts, as applicable
- Form 01CSI:** Criteria and Standards, with all sections completed in full, with explanations for all required conditions. Be sure to complete the salary and benefits negotiation sections fully, even if not yet settled.
- SEMAI:** District's should review this carefully to see if you are meeting your maintenance of effort requirement.

ALL OF THE ABOVE ITEMS MUST BE SUBMITTED FOR RECEIPT NO LATER THAN DECEMBER 15, 2014

ATTENTION:

**District Advisory Services
c/o Steven Gragg – 6th floor
1300 17th St - City Centre
Bakersfield CA 93301**

Please include this completed form as cover for your submission.