

I. OVERVIEW

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

II. COUNTY OFFICE RESPONSIBILITIES

A. Responsibilities of the County

- 1. Education Code Section 42131 requires the county to obtain a copy of the interim report and the certification for each district.
 - a. If the county office of education receives a positive certification when a qualified or negative should have been filed, the county is authorized to change the certification to qualified or negative.
 - b. If the county office changes the certification, the county office must notify the district governing board and the Superintendent of Public Instruction (SPI) no later than 75 days after the period being reported.

Interim Report Review

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

Interim Report Review

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

Interim Report Review

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

Interim Report Review

B. Calendar

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

III. DETAILED PROCEDURES

- A. County offices of education exercise their authority to monitor the solvency of the districts in the county in different ways.
- B. The review of the interim reports is not an audit. The review should focus on:
 1. Determining that the information is reasonable.

Interim Report Review

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

IV. LEGAL CITATIONS

Education Code

- Section 1240
- Section 42127.6
- Sections 42130 - 42134

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

AB139 Letter Sample

July 23, 2003

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

Dear President XX:

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

Fiscal Solvency Summary

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

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

AB139 Letter Sample

2002-03 General Fund Summary

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

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

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

Deficit Spending

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

Reserve for Economic Uncertainties/Substantial Budget Reductions

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

AB139 Letter Sample

2001-02 Audit Findings

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

Inventory of Equipment

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

Deferred Maintenance Fund

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

Instructional Minutes

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

Labor Contract Negotiations

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

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

AB139 Letter Sample

Debt Issuance

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

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

Cafeteria Fund

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

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

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

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

Child Development Fund

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

AB139 Letter Sample

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

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

Conclusion

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

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

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

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

Sincerely,

Superintendent
Sample County Office of Education

District Budget Assumptions #1 Sample

Sample County Office of Education

Budget Assumptions – Interim Reports

GENERAL FUND REVENUES

Revenue Limit

- Explain any significant changes from the budget or first interim report in average daily attendance (ADA) or enrollment projections, including the methodology or basis used for the projections (e.g., cohort survival, actual count, etc.).

- Explain any significant changes in the revenue limit calculation not explained by ADA changes.

- Identify the estimated COLA, equalization (if applicable), and other major components of the revenue limit calculation.

Federal Revenues

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

Lottery Revenues

- Identify projected lottery amounts per ADA.

District Budget Assumptions #1

Sample

Categorical Program Revenues

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

New tax and revenue anticipation notes (TRANS)

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

Other significant changes in revenues

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

One-time Revenues

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

GENERAL FUND EXPENDITURES

Certificated and classified salaries

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

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

District Budget Assumptions #1 Sample

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

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

Employee benefits

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

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

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

Retirement packages

- Briefly summarize district policy, the number of retirees covered, the costs of the current benefits, the assumptions used to project, and the object and fund in which these costs are recorded.

- Identify the costs associated with a golden handshake or other retirement package, including multi-year costs.

District Budget Assumptions #1 Sample

Other significant expenditures (Objects 4000 through 7000)

- Explain any significant changes from the budget or first interim in one-time expenses, such as spending a sizeable carryover, one-time capital outlay, or facilities improvements.

- Describe all major obligations including COPs, lease-purchases, and bond repayments.

- Identify amounts due in the budget year and the basic terms of the obligations.

- Explain the purpose of any major transfers between funds.

Components of ending fund balance

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

- Explain the designated components of the ending fund balances.

Net change in fund balance – General Fund

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

District Budget Assumptions #1

Sample

Reserve for Economic Uncertainties

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

OTHER FUNDS

Significant changes in revenues, expenditures, or transfers

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

District Budget Assumptions #2 Sample

2003-04 First Interim Budget Assumptions

_____ District

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

Signed: _____ Date: _____
President, Board of Education

Signed: _____ Date: _____
District Superintendent

District Budget Assumptions #2 Sample

	First Interim (Unrestricted Only) 2003-04	Projected (Unrestricted Only) 2004-05
	_____ %	_____ %
	\$ _____	\$ _____
	\$ _____	\$ _____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

Object 6XXX:
 % Increase(Decrease) over Adopted Budget:
 Flat \$ Increase(Decrease) included in:
 One time \$ included in:
 Please describe reason(s) for changes:

	First Interim (Unrestricted Only) 2003-04	Projected (Unrestricted Only) 2004-05
	_____ %	_____ %
	\$ _____	\$ _____
	\$ _____	\$ _____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

EXPENSES Cont.:
Object 7XXX:
 % Increase(Decrease) over Adopted Budget:
 Flat \$ Increase(Decrease) included in:
 One time \$ included in:
 Please describe reason(s) for changes:

Please attach additional sheets as necessary.

District Budget Assumptions #2 Sample

2003-04 First Interim Budget Assumptions

District _____

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

	First Interim	Projected		Rc
	2003-04	2004-05	2004-05	
		Restricted	Unrestricted	
ENDING FUND BALANCE	\$ _____	_____	_____	\$ _____
COMPONENTS OF ENDING FUND BALANCE				
Reserved Amounts				
Revolving Cash	9711	_____	_____	\$ _____
Stores	9712	_____	_____	\$ _____
Prepaid Expenditures	9713	_____	_____	\$ _____
General Reserve (EC 42124)	9730	_____	_____	\$ _____
Legally Restricted Balances	9740	_____	_____	\$ _____
Designated Amounts		_____	_____	\$ _____
Designated for Economic Uncertainties	9770	_____	_____	\$ _____
Other Designations	9780	_____	_____	\$ _____
Undesignated/Unappropriated	9790	_____	_____	\$ _____
Special Reserve Fund - Non/Capital Outlay (17)				
Designated for Economic Uncertainties	9770	_____	_____	\$ _____
Undesignated/Unappropriated	9790	_____	_____	\$ _____
Total Special Reserve Fund		_____	_____	\$ _____

Please attach additional sheets as necessary.

Prepared By: _____

Chief Business Official Signature: _____

Interim Report Review Checklist #1

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

Interim Report Review Checklist #1

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

Interim Report Review Checklist #1

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

Interim Report Review Checklist #1

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

Interim Report Review Checklist #2

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

Interim Report Review Checklist #3

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

<input type="checkbox"/>	1st Period October 31
<input type="checkbox"/>	2nd Period January 31
<input type="checkbox"/>	3rd Period April 30

District	CDS Code
Reviewed By:	Date:

ITEMS RECEIVED FROM DISTRICT:	COMMENTS
<input type="checkbox"/> Date Received Reports	
<input type="checkbox"/> Board Meeting Date	
<input type="checkbox"/> Form CI - Interim Certification with Orig. Signatures	<input type="checkbox"/> YES <input type="checkbox"/> NO
<input type="checkbox"/> District Certification	<input type="checkbox"/> POS <input type="checkbox"/> QUAL <input type="checkbox"/> NEG
<input type="checkbox"/> Form AI - Average Daily Attendance	
<input type="checkbox"/> Form RLI - Revenue Limit Summary	
<input type="checkbox"/> Form K-12 R/L Schedule B (districts with charter schools)	
<input type="checkbox"/> Form 011 - General Fund - Statement of Revenues & Expenditures (unrestricted, restricted & combined restricted & unrestricted format)	
<input type="checkbox"/> Form CASH - Cash Flow Worksheet	
<input type="checkbox"/> Form MYP - Multi-Year Projection Worksheet	
<input type="checkbox"/> Form 01CSI - Criteria and Standards Review	
<input type="checkbox"/> Form 01CSI - In-Depth Review (if required)	
<input type="checkbox"/> Form TRC - Technical Review Checks	
<input type="checkbox"/> Narrative including Budget Assumption Changes	
<input type="checkbox"/> Narrative for Funds other than General Fund (if significant changes)	
<input type="checkbox"/> Financial Statements for any Funds Projecting a Negative Cash of Negative Fund Balance	
<input type="checkbox"/> Encroachment/Flexibility Transfer Detail Worksheet	
<input type="checkbox"/> ROPs-Revenue Limit Calculation	
<input type="checkbox"/> SACS Diskette (optional)	
<input type="checkbox"/> MYP Diskette (optional)	
<input type="checkbox"/> Print-out of G/L Trial Balance and Revenue & Expense Reports - Summary, Restricted and Unrestricted (for off-line districts only)	
<input type="checkbox"/> Others:	
Form TRC - TECHNICAL REVIEW CHECKS	COMMENTS
<input type="checkbox"/> Review status of all technical review checks	
<input type="checkbox"/> Determine that there are no Fatal (F) exceptions	
<input type="checkbox"/> Determine that all (W) and (WC) exceptions are adequately explained.	
Form CI - DISTRICT CERTIFICATION	COMMENTS
<input type="checkbox"/> Verify signatures of board president and superintendent.	
<input type="checkbox"/> Positive fund and cash balance projected?	
<input type="checkbox"/> If qualified or negative balance, has in-depth review been completed?	<input type="checkbox"/> YES <input type="checkbox"/> NO
FORM AI - AVERAGE DAILY ATTENDANCE	COMMENTS
<input type="checkbox"/> Est. P-2 ADA Compare to budgeted P-2, CBEDS or latest J-18/19. If declining enrollment, verify prior year P-2 ADA.	
<input type="checkbox"/> Col. A Must agree with July 1st adopted budget Form A revenue limit ADA.	
<input type="checkbox"/> Col. B Compare to CBEDS or latest J-18/19.	
<input type="checkbox"/> Col. C & D Material differences from col. B supported by explanation/documentation?	
<input type="checkbox"/> Is ADA projection reasonable?	<input type="checkbox"/> YES <input type="checkbox"/> NO

Interim Report Review Checklist #3

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

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

District	CDS Code
Reviewed By:	Date:

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

Interim Report Review Checklist #3

District Business Services
DISTRICT BUDGET/INTERIM REPORT REVIEW

DISTRICT _____ CHECKED BY _____ DATE _____

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

- Fund 11 ADULT EDUCATION
 - a. Compare to OF history wksht
 - b. 8094, RL Transfer to 201R

- Fund 12 CHILD DEVELOPMENT
 - a. Compare to OF history wksht

- Fund 13 CAFETERIA FUND/ACCOUNT
 - a. Compare to OF history wksht
 - b. Check Support from General Fund

- Fund 14 DEFERRED MAINTENANCE
 - a. Compare to OF history wksht
 - b. Check Transfers

- Fund 17 SPECIAL RESERVE (OTHER)
 - a. Compare to OF history wksht
 - b. Check Transfers
 - c. Verify substantial incr in rev & exp

- Fund 19 FOUNDATION SPECIAL REVENUE
 - a. Compare to OF history wksht

- Fund 21 BUILDING
 - To record COP's & other local revenue sources
 - a. Compare to OF history wksht
 - b. If in state lse-prchs pgm, xfrs out
restricted to Capital Outlay/Def Maint
 - c. Check Transfers
 - d. Verify substantial incr in rev & exp

- Fund 25 CAPITAL FACILITIES
 - Developer Fees (3% Admin fee allowed)
 - a. Compare to OF history wksht
 - b. Check Transfers
 - c. Verify substantial incr in rev & exp

- Fund 30 STATE SCHOOL BUILDING LEASE/PURCHASE
 - Primarily for Leroy Green funds
 - a. Compare to OF history wksht
 - b. Check Transfers
 - c. Verify substantial incr in rev & exp

- Fund 35 COUNTY SCHOOL FACILITIES
 - Prop 1A Bond funds
 - a. Compare to OF history wksht
 - b. Check Transfers
 - c. Verify substantial incr in rev & exp

- Fund 40 SPECIAL RESERVE (CAPITAL PROJECTS)
 - a. Compare to OF history wksht
 - b. Check Transfers
 - c. Verify substantial incr in rev & exp

- Fund 51 BOND INTEREST & REDEMPTION / 53 TAX OVERRIDE
 - Co Controller prepares 51 budget
 - Districts may submit 51 & 53 budget
 - If district does not adopt 51 / 53 bdgt on July 1,
can do later with separate Board resolution
 - SMCOE completes 51 & 53A unaudited actuals

- Other Funds
 - a. Compare to OF history wksht

Interim Report Review Checklist #3

District Business Services
DISTRICT BUDGET/INTERIM REPORT REVIEW

DISTRICT _____ CHECKED BY _____ DATE _____

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

Required Reserves = 3% General Fund _____
 \$ Amt Req'd _____ Sp Res Fund (Oth) _____
 Total _____

** COMMENTS FOR BUDGET LETTER

Deficit spending

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

ADA

- Reasonable OK
- Big increase
- Declining

Revenue Limit

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

Special Ed

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

Revenues

- Amts Reasonable
- Conservative
- Aggresssive

Expenditures

- Amts Reasonable
- Conservative
- Aggressive

Reserves

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

GF Balance

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

Fund Balance - Other Funds

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

Cert Negotiations

- Settled, amts OK
- Not settled

Clas Negotiations

- Settled, amts OK
- Not settled

Staffing Analysis

- OK
- Not in line w/salaries

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

Long-Term Debt

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

Yrs Left / Principal / Payment per yr / Fund