

2011-12 Fiscal Year-End Closing

Orange County Department of Education
Business Services

June 1, 2012

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Year-End Closing Meeting

1. Recap of Prior Years
2. What's new for 2011-12
3. 2012-13 May Revision
4. 2011-12 Year-End Reminders
5. GASB Statements 54, 61, and 65
6. 2011-12 Year-End Calendar
7. Accounting Guidelines
8. SACS Software Changes

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Since 2007-08, we've experienced...

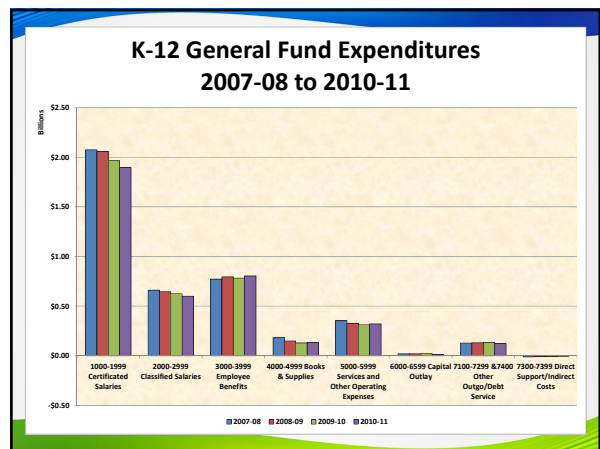
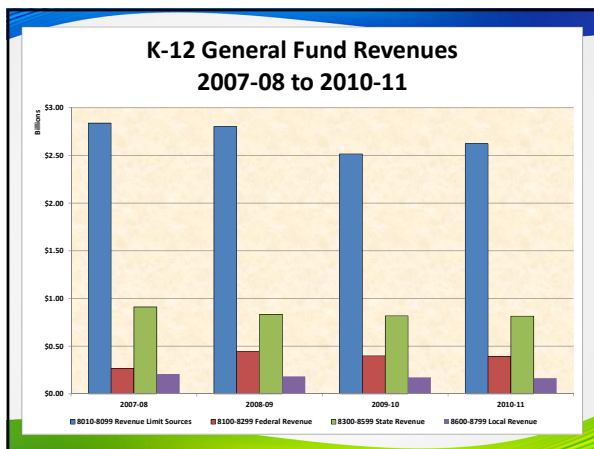
- Reductions to categorical funding
 - Funding has been reduced by 19.8%
 - 15.38% of the reduction began in 2008-09, the remaining reduction began in 2009-10
- Categorical Flexibility (Education Code Section 42605)
 - A long list of categorical restricted resources were converted to unrestricted funding
- Increasing Apportionment Deferrals (Education Code Section 14041 and 84321)
- Revenue Limits
 - No Cost of Living Adjustments (COLA) since 2007-08
 - Large Deficit Factors, now up to 20.602% in 2011-12
- Trigger Budget Reductions (started in 2011-12)

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Since 2007-08...

- Shifting expenditures between the restricted and unrestricted general fund
- Emphasis on cash balances and cash flow projections
- GASB Statements 45 and 54
- Special Education Pass Through Fund
- Federal Stimulus Funding [American Recovery and Reinvestment Act (ARRA) and Education Jobs]
- Interest Reporting on Federal Funds

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What's New for 2011-12

- State Budget was on time (Prop 25)
- Redevelopment agencies (RDAs) were dissolved on 2/1/2012 (ABX1 26)
 - Tax increment is now redirected back to taxing entities
- RDA pass-through payments are now paid by the Auditor-Controller's office (January 16th and June 1)
- A new source of property tax revenues called "Residual Redevelopment Property Tax Trust Fund" (RPTTF)
- Negative ERAF apportionments have increased
- Temporary Transfers from the Orange County Treasurer may now be repaid across fiscal years

What's New for 2011-12

- Additional Principal Apportionment Deferrals in 2011-12
 - K-12 March to August (\$1.3B) and April to August \$764M
 - CCD \$129M shifted from July to October
- 2nd year of GASB 54 Fund Balance Reporting
- 1st year of Special Education Pass Through Fund (Only for multi-district SELPA AUs)
- Did you spend down Federal ARRA funds by 9/30/2011?
- What about Federal Education Jobs funds?
 - Must be spent by 9/30/2012
- Changes to SACS Matrix Tables
- Changes to the SACS212 software

2012-13 May Revision

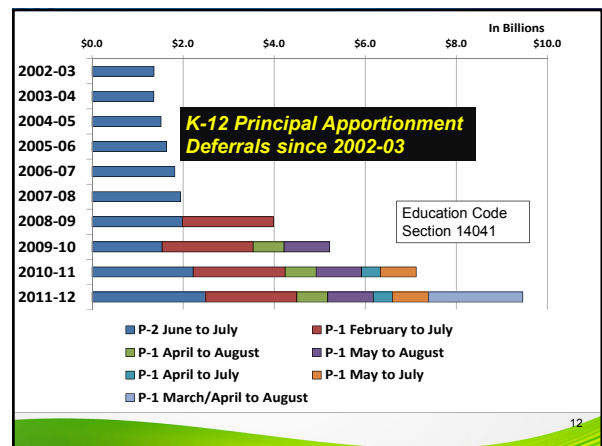
- The State of California's budget deficit for 2012-13 is \$15.7 billion
 - The projected deficit was \$9.2 billion in January 2012
- 2012-13 budget
 - Plan A - assumes that the Governor's tax initiative is successful in November 2012 and Education will essentially be subject to flat funding (no increased spending authority), \$2.242 billion in K-12 deferrals will be restored and \$95.1 million for CCD deferrals
 - Plan B – if the Governor's initiative fails, we are subject to mid-year trigger reductions of \$441/ADA

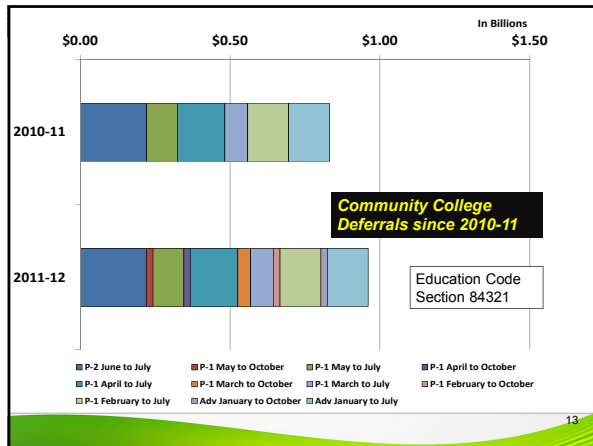
2012-13 May Revision

- Intra-year Deferrals – AB 103 was signed by Governor Brown on May 23, 2012 and it reduces Government Code intra-year deferrals in 2012-13
- Cross Year Deferrals
 - If taxes pass, \$2.242 billion in cross year deferrals will be reduced for K-12
 - If taxes fail, the \$2.242 billion is deferred again
- Impact of Governor's Initiative [Education Protection Account (EPA)]
 - Regardless of the outcome of the election, the State will reduce the Advance apportionment by \$6.9 billion
 - If the taxes pass, the \$6.9 billion won't be paid until June 2013
 - If the taxes fail, the State will reduce K-12 apportionments by \$3.8 billion from July through January, K-12 will then receive repayment beginning in February 2013 through August 2013

2012-13 May Revision

- Weighted Student Formula (WSF)
 - Only gets implemented if the Governor's tax initiative is successful, 5% implementation in 2012-13 or hold harmless
 - This is essentially school finance reform, where categorical funding would be redistributed based on unduplicated counts of English learners free and reduced price meal eligible pupils
 - Base Grants
 - K-3 \$5,465.16/ADA
 - 4-6 \$4,935.17/ADA
 - 7-8 \$5,081.04/ADA
 - 9-12 \$5,888.17/ADA
 - Supplemental Grant (20% of base grant for unduplicated pupils who are English learners or free and reduced price meal eligible)
 - Concentration Grant (40% of base grant for pupils in excess of the 50% threshold for the district or charter school)
 - Add-Ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation
 - EIA and K-3 CSR are not excluded from the WSF





K-12 Flexibility Options

Flexibility Option	Education Code Reference	Flexibility End Date (SB 70)
Ongoing and Major Maintenance, may reduce the 3% contribution	17070.77	2014-15
Deferred Maintenance Match Flexibility	17584.1	2014-15
Depositing proceeds from the sale of surplus property into the General Fund	17463.7	1/1/2014
Reserve for Economic Uncertainties at 1/3 of percentage adopted by the State Board of Education as of 5/1/2009	33128.3	must be restored by 2013-14
Categorical Flexibility	42605	2014-15
Reduce the equivalent of up to 5 days of instruction or the equivalent number of instructional minutes without incurring fiscal penalties	46201.2	2014-15
The governing board of a school district is not required to provide pupils with instructional materials by a specified period of time following adoption of those materials by the State Board of Education	60422.3	2014-15
K-3 Class Size Reduction with Penalties	52124.3	2013-14

Employer Payroll Rates

2011-12	2012-13
• STRS 8.25%	• STRS 8.25%
• PERS 10.923%	• PERS 11.417%
• PERS Reduction 2.179%	• PERS Reduction 1.603%
• UIC 1.61%	• UIC 1.10%
• OASDI 6.20%	• OASDI 6.20%
• Medicare 1.45%	• Medicare 1.45%

State Unemployment Insurance

- 2010-11 0.72%
- 2011-12 1.61%
- **2012-13 1.10%**

- Be sure to claim Local Experience Charge (LEC) expenses as unemployment expenditures when reporting revenue limit data to OCDE for state reporting purposes

Special Education Mental Health

- SACS Resource 6512
 - Pursuant to AB 114, Sec 54 (Chapter 43, Statutes of 2011), provision 18 of Item 6110-161-0001 must be used for educationally related mental health services, including out-of-home residential services for emotionally disturbed pupils, required by the federal IDEA. The fund shall be exclusively available for these services only for FY 2011-12 and FY 2012-13.
 - Use this resource for prior year funding, new funding in 2011-12, and for extraordinary cost pool

Federal Education Jobs Funds

- SACS Resource 3205
 - Must be spent by 9/30/2012
 - Federal grant, therefore subject to deferred revenue
 - Subject to OMB Circular A-87 cost principles
 - Salaries paid with Education Jobs is subject to PERS reduction

State Lottery

- For 2011-12, Lottery is estimated to be:
 - \$118.00 per ADA for Unrestricted (SACS Resource 1100)
 - \$23.75 per ADA for Restricted (SACS Resource 6300)
- 2011-12 Actual Year to Date Lottery Receipts:
 - First quarter \$32.40/ADA Unrestricted only
 - Second quarter \$39.54/ADA Unrestricted only

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Pupil Transportation

- Make sure that you booked all of your transportation expenditures to SACS resource codes 7230 and 7240.
- In any year, if you report less expenditures than your entitlement (Form TRAN) prior to the Control Section 12.42 reduction, you could be subject to a reduction in your entitlement in 2012-13

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Common Unaudited Actuals Issues

- Balances remaining in resource codes subject to categorical and ending balance flexibility
- Object 5100, Subagreements, not used
- Interfund transfers are not recorded correctly
 - Interfund transfers (76XX and 89XX)
 - Temporary interfund borrowing (9310 and 9610)
- Incorrect use of abatements
- OPEB expenditures not distributed per CSAM Procedure 785

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Common Unaudited Actuals Issues

- SELPA AU activities are not reported correctly or not reported at all
- Audit adjustments/restatements in resources that are subject to deferred revenue
 - Rather than using 9793 or 9795 for the adjustment/restatement, please use the appropriate asset, liability, revenue, or expenditure in the correct resource code
- PCRAF – unrealistic or incorrect allocation factors for undistributed costs

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Common Unaudited Actuals Issues

- Technical Review Check (TRC) explanations that are meaningless or otherwise
- Indirect cost calculation
 - Indirect cost pool expenditures recorded incorrectly resulting in an inappropriate indirect cost rate
- Charter school reporting/coding issues

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GASB 54

- 2010-11 was the first year of implementation for GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions)
 - New Fund Balance Categories
 - Nonspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned
- Any restricted resource will have fund balance classified as restricted

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GASB 54 Reminders

- Adult Education (Fund 11) & Deferred Maintenance (Fund 14) may be used if substantial portions of these funds' inflows are restricted or committed revenue sources
- Special Reserve Fund (Fund 17) and Special Reserve for Postemployment Benefits (Fund 20) do not meet the Generally Accepted Accounting Principles, but have been authorized in statute and are not expected to be closed

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GASB 61

- Statement 61 is titled "The Financial Reporting Entity: Omnibus"
- Effective in 2012-13
- The CDE has noted that this Statement will require charter schools that are determined to be reported as a blended component unit to be reported in a special revenue fund and not as part of the primary government's general fund.
- **If you have a charter school reported in your General Fund, you need to close 2011-12 in Fund 01 and move everything to Fund 09 beginning in Fiscal Year 2012-13.**

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GASB 65

- Statement 65 "Items Previously Reported as Assets and Liabilities" (Effective in 2013-14)
- GASB Concepts Statement 4 identified two new financial statement elements called *Deferred Outflows of Resources* and *Deferred Inflows of Resources*
- Statement 65 identified transactions that may be applicable to LEAs
- So what does this mean to you?
 - The SACS software will be modified under the assets and liabilities sections of forms
 - This will affect conversion entries in the government wide reports
 - There will have to be a name change for Deferred Revenue (object code 9650), can't call this deferred any longer

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Closing the Books

- Prepare a closing schedule
- Review your balance sheet
- Close out all prior year payables and receivables
- Accrue all receivables
- Accrue all payables
- Close out grants and entitlements
- Review accounting for leases, COPs, and Mello-Roos
- Reconcile all inter-program and inter-fund transactions
- Close out other funds
- Components of ending fund balance

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OCDE Disbursement Deadlines

- 6/21/2012
 - Offline districts submit approved registers and batches for 2011-12
- 6/25/2012
 - Online districts submit approved registers and batches for 2011-12



OCDE Disbursement Deadlines


- 6/26/2012
 - Coast and North Orange County CCD, last day to submit batches and registers
- 6/28/2012
 - Offline, last day to process checks on hold
 - Online, last day to release items with backup
 - Last day to process checks cancellation requests
- 7/2/2012
 - First day to process 2012-13 checks and batches



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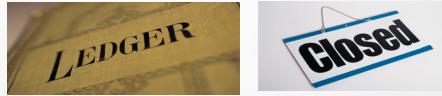
OCDE District Accounting Deadlines

- 6/27/2012
 - Last day to submit interfund transfers of cash
 - After this date, you must create “due to (9610) due from (9310)” journal entries
- 6/28/2012
 - Last day to make cash receipt deposits
 - After this date, you must post “cash collections waiting deposit (9140,9125)” journal entries



OCDE District Accounting Deadlines

- 8/01/2012
 - Final General Ledger reports will be produced
 - This is the countywide goal and preferred closing date for the 2011-12 accounting period



6/04/2012 to 6/29/2012

- Reconcile the General Ledger
- Review all SACS string account codes for accuracy
- Verify categorical awards and entitlement amounts
- *Have you reversed 2010-11 year end distributions for A/P and A/R?*

Closing Tasks

- 7/09/2012 or earlier
 - Offline Districts
 - J-43 Current Liabilities
 - J-43A Current Receivables
 - J-43A1 Abatement of Expenditures
- 7/12/2012 – 7/29/2012
 - Preparation of Form CAT or equivalent
- 7/18/2012
 - Accrue State Unemployment Insurance and Deferred Summer Pay

Closing Tasks

- Mid-July
 - Reconcile cash accounts (9120 – 9135)
 - Record accruals for principal apportionment programs after CDE certifies P-2 (be sure to include any adjustments for attendance)
 - Zero out all holding and control accounts

Closing Tasks

- End of July
 - Make contributions to restricted resources
 - Verify the total for 9310 matches 9610
 - PERS Reduction (8092 = 3800)
 - **All Fund Balances must be POSITIVE**
- Mid-August
 - Rollover Net Beginning Balances
 - Distribute fund balance (9791) to pseudo with date of **7/2/2012** impacts federal interest calculations

Accounting Guidelines

- Normal Balances
- Restricted Resources
- Cash in Transit
- Control, Suspense, Error, and Header Accounts
- GL275 and GL276 Reports
- Inter Fund Transfer Codes
- Mid-Month Payroll
- STRS & PERS Accruals

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SACS Matrix Changes

- See page 59 of the handout for the changes made to the SACS Matrix in 2011-12

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SACS Software Changes

- **Form 01**
 - Deleted object code 8046 for SERAF
- **Forms 01, 09, and 62**
 - Added detail lines for federal revenues including resources 3010, 3025, 4035, 4201, 4203, and 4610
- **Forms 17, 20, 51, 52, 53, 56, 66, 67, and 71**
 - Added a contributions section, object codes 8980 and 8990
- **Inactivated Form 09** for separately reporting charter schools only
- **GASB 54 changes** to fund forms
- **Form 51A and Form 53A have been deleted**

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SACS Software Changes

- **Form CASH**
 - Receipts
 - Reversed the order of principal apportionment and property tax lines
 - Disbursements
 - Split up the 4000-4999 and 5000-5999 ranges into two separate lines
 - Prior Year Transactions
 - Renamed as Balance Sheet Transactions
 - Expanded to provide detail of Assets, Liabilities, and Nonoperating accounts
 - A second worksheet was added for a 2nd year of cash flow

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SACS Software Changes

- **Form MYP**
 - Now providing detail for "Other Financing Sources and Uses"
 - Transfers In 8900-8929
 - Other Source 8930-8979
 - Contributions 8980-8999
 - Transfers Out 7600-7629
 - Other Uses 7630-7699
- **Form RL**
 - Made changes to reflect the AB 851 revenue limit simplification add-on
 - The meals for needy pupils and beginning teacher salary incentive revenue limit add-on will be separated from the base revenue limit per ADA

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Indirect Cost Rates

LEA Allowable Indirect Cost Rates

- See page 57 of the handout

Food Services

- **2011-12**

For food service for fiscal year 2011-12, districts are limited to the **lesser** of:
Their CDE approved indirect cost rate (approved April 2011, based on 2009-10 data) or **4.80%**
- **2012-13**

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Their CDE approved indirect cost rate (approved April 2012, based on 2010-11 data) or **4.80%**

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Form TRAN

- Entitlements for Home-to-School and Special Education Transportation are calculated using the data on Form TRAN
 - Education Code 41851(c)** – in no event shall the home-to-school transportation allowance exceed the prior year's approved home-to-school transportation costs, increased by the amount provided in the Budget Act
 - Please note an LEA's allowance is not the apportionment (cash) it is receiving, but the actual entitlement amount (lesser of prior year expenditures or allowance). Funds available to pay the entitlement have been reduced by Control Section 12.42 of the Budget Act

Form TRAN

IE. Deduction for unallowable costs			
1. ENTER amount of unallowable costs included in Schedule II, lines C1 and C8 paid by you to another LEA			
2. Less: ENTER unallowable costs amount included in deduction taken on Line B			
F. Total Deductions (Lines B, C1, C2, D1, D2, and E1 minus lines C3, C4, and E2)		0.00	57,931.00
G. Bus Operating Expense (Line A minus Line F)	1101111	424,997.51	230,305.73
H. 1. Cost Per Mile (Line G divided by Schedule I, Line C)	120121	9.825	6.825
2. Cost Per Pupil (Line G divided by Schedule I, Line B1)	120120	3,512.376	5,000.649
I. Payments to common carriers and to parents in lieu of transportation (Lines C1 and C2 minus Line C3)	080081	0.00	57,931.00
J. 1. ENTER prior year unallowable costs paid to another LEA used in the current year for bus purchases			
2. Bus acquisition and replacement (Lines J1, D1, and D2 minus D3)		085086	0.00
K. Approved Transportation Expense (Lines G, J, and J2)		130133	242,997.51
			288,238.73
L. Approved Non-CO/CI Home-to-School Transportation Expense			
1. Calculated Expense (Line K divided by Schedule I, Line B1 times Schedule I, Line B2)	132c	207,230.19	
2. ENTER LEA's computed expense if different than amount calculated in Line L1 (insert item documentation locally)	132a		

Questions?



- During year-end closing, please contact us with any questions at:
 - Anne Beem (714) 966-4242 abeem@ocde.us
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