

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: \_\_\_\_\_

*John R. Porter Jr.*  
District Superintendent or Designee

Date: \_\_\_\_\_

*3/12/14*

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: March 11, 2014

Signed: \_\_\_\_\_

*B. Chai*

President of the Governing Board

**CERTIFICATION OF FINANCIAL CONDITION**

**POSITIVE CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

**QUALIFIED CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

**NEGATIVE CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

Name: Joanne Chin

Telephone: (408) 283-6087

Title: Director of Fiscal Services

E-mail: joanne.chin@fmsd.org

**Criteria and Standards Review Summary**

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.	X	

CRITERIA AND STANDARDS (continued)			Met	Not Met
2	Enrollment	Projected enrollment for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.	X	
3	ADA to Enrollment	Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is consistent with historical ratios.	X	
4	LCFF/Revenue Limit	Projected revenue limit for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.		X
5	Salaries and Benefits	Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years.	X	
6a	Other Revenues	Projected operating revenues (federal, other state, other local) for the current and two subsequent fiscal years have not changed by more than five percent since first interim.		X
6b	Other Expenditures	Projected operating expenditures (books and supplies, services and other expenditures) for the current and two subsequent fiscal years have not changed by more than five percent since first interim.		X
7a	Deferred Maintenance	AB 97 (Chapter 47, Statutes of 2013) eliminated the Deferred Maintenance program under the Local Control Funding Formula. This section has been inactivated.		
7b	Ongoing and Major Maintenance Account	If applicable, changes occurring since first interim meet the required contribution to the ongoing and major maintenance account (i.e., restricted maintenance account).	X	
8	Deficit Spending	Unrestricted deficit spending, if any, has not exceeded the standard in any of the current or two subsequent fiscal years.		X
9a	Fund Balance	Projected general fund balance will be positive at the end of the current and two subsequent fiscal years.	X	
9b	Cash Balance	Projected general fund cash balance will be positive at the end of the current fiscal year.	X	
10	Reserves	Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet minimum requirements for the current and two subsequent fiscal years.	X	

SUPPLEMENTAL INFORMATION			No	Yes
S1	Contingent Liabilities	Have any known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) occurred since first interim that may impact the budget?	X	
S2	Using One-time Revenues to Fund Ongoing Expenditures	Are there ongoing general fund expenditures funded with one-time revenues that have changed since first interim by more than five percent?	X	
S3	Temporary Interfund Borrowings	Are there projected temporary borrowings between funds?	X	
S4	Contingent Revenues	Are any projected revenues for any of the current or two subsequent fiscal years contingent on reauthorization by the local government, special legislation, or other definitive act (e.g., parcel taxes, forest reserves)?	X	
S5	Contributions	Have contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since first interim by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years?	X	

SUPPLEMENTAL INFORMATION (continued)			No	Yes
S6	Long-term Commitments	Does the district have long-term (multiyear) commitments or debt agreements?		X
		• If yes, have annual payments for the current or two subsequent fiscal years increased over prior year's (2012-13) annual payment?		X
		• If yes, will funding sources used to pay long-term commitments decrease or expire prior to the end of the commitment period, or are they one-time sources?	X	
S7a	Postemployment Benefits Other than Pensions	Does the district provide postemployment benefits other than pensions (OPEB)?		X
		• If yes, have there been changes since first interim in OPEB liabilities?	X	
S7b	Other Self-insurance Benefits	Does the district operate any self-insurance programs (e.g., workers' compensation)?		X
		• If yes, have there been changes since first interim in self-insurance liabilities?	X	
S8	Status of Labor Agreements	As of second interim projections, are salary and benefit negotiations still unsettled for:		
		• Certificated? (Section S8A, Line 1b)	X	
		• Classified? (Section S8B, Line 1b)	X	
S8	Labor Agreement Budget Revisions	• Management/supervisor/confidential? (Section S8C, Line 1b)	X	
		For negotiations settled since first interim, per Government Code Section 3547.5(c), are budget revisions still needed to meet the costs of the collective bargaining agreement(s) for:		
		• Certificated? (Section S8A, Line 3)	n/a	
S8	Labor Agreement Budget Revisions	• Classified? (Section S8B, Line 3)	n/a	
S9	Status of Other Funds	Are any funds other than the general fund projected to have a negative fund balance at the end of the current fiscal year?	X	

ADDITIONAL FISCAL INDICATORS			No	Yes
A1	Negative Cash Flow	Do cash flow projections show that the district will end the current fiscal year with a negative cash balance in the general fund?	X	
A2	Independent Position Control	Is personnel position control independent from the payroll system?		X
A3	Declining Enrollment	Is enrollment decreasing in both the prior and current fiscal years?		X
A4	New Charter Schools Impacting District Enrollment	Are any new charter schools operating in district boundaries that are impacting the district's enrollment, either in the prior or current fiscal year?		X
A5	Salary Increases Exceed COLA	Has the district entered into a bargaining agreement where any of the current or subsequent fiscal years of the agreement would result in salary increases that are expected to exceed the projected state funded cost-of-living adjustment?	X	
A6	Uncapped Health Benefits	Does the district provide uncapped (100% employer paid) health benefits for current or retired employees?	X	
A7	Independent Financial System	Is the district's financial system independent from the county office system?	X	
A8	Fiscal Distress Reports	Does the district have any reports that indicate fiscal distress? If yes, provide copies to the COE, pursuant to EC 42127.6(a).	X	
A9	Change of CBO or Superintendent	Have there been personnel changes in the superintendent or chief business official (CBO) positions within the last 12 months?	X	

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
<b>A. REVENUES</b>								
1) LCFF/Revenue Limit Sources		8010-8099	46,968,631.00	49,687,822.00	32,906,178.64	62,452,991.00	12,765,169.00	25.7%
2) Federal Revenue		8100-8299	0.00	0.00	0.00	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	10,488,655.00	13,105,974.59	883,545.02	1,467,453.59	(11,638,521.00)	-88.8%
4) Other Local Revenue		8600-8799	2,684,888.00	2,748,479.00	1,139,326.66	2,729,433.00	(19,046.00)	-0.7%
5) TOTAL, REVENUES			60,142,174.00	65,542,275.59	34,929,050.32	66,649,877.59		
<b>B. EXPENDITURES</b>								
1) Certificated Salaries		1000-1999	29,766,318.00	32,069,789.00	17,477,657.50	33,092,111.00	(1,022,322.00)	-3.2%
2) Classified Salaries		2000-2999	4,847,223.00	5,586,166.00	3,694,944.20	6,772,786.00	(1,186,620.00)	-21.2%
3) Employee Benefits		3000-3999	10,576,721.00	11,034,676.00	6,659,758.20	11,829,845.00	(795,169.00)	-7.2%
4) Books and Supplies		4000-4999	499,686.00	790,745.00	592,654.98	942,400.00	(151,655.00)	-19.2%
5) Services and Other Operating Expenditures		5000-5999	4,846,904.00	7,332,550.00	2,817,775.47	5,306,640.00	2,025,910.00	27.6%
6) Capital Outlay		6000-6999	0.00	0.00	0.00	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299 7400-7499	270,736.00	270,736.00	236,108.75	270,736.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	(507,401.00)	(421,032.00)	0.00	(434,671.00)	13,639.00	-3.2%
9) TOTAL, EXPENDITURES			50,300,187.00	56,663,630.00	31,478,899.10	57,779,847.00		
<b>C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)</b>			9,841,987.00	8,878,645.59	3,450,151.22	8,870,030.59		
<b>D. OTHER FINANCING SOURCES/USES</b>								
1) Interfund Transfers								
a) Transfers In		8900-8929	0.00	0.00	0.00	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.00	0.00	0.00	0.0%
2) Other Sources/Uses								
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	(9,641,502.00)	(10,465,479.00)	0.00	(10,309,668.00)	155,811.00	-1.5%
4) TOTAL, OTHER FINANCING SOURCES/USES			(9,641,502.00)	(10,465,479.00)	0.00	(10,309,668.00)		

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
<b>E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)</b>			200,485.00	(1,586,833.41)	3,450,151.22	(1,439,637.41)		
<b>F. FUND BALANCE, RESERVES</b>								
1) Beginning Fund Balance								
a) As of July 1 - Unaudited			9791	7,605,431.68	7,605,431.68	7,605,431.68	0.00	0.0%
b) Audit Adjustments			9793	0.00	0.00	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)				7,605,431.68	7,605,431.68	7,605,431.68		
d) Other Restatements			9795	0.00	0.00	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)				7,605,431.68	7,605,431.68	7,605,431.68		
2) Ending Balance, June 30 (E + F1e)				7,805,916.68	6,018,598.27	6,165,794.27		
Components of Ending Fund Balance								
a) Nonspendable								
Revolving Cash			9711	25,000.00	25,000.00	25,000.00		
Stores			9712	36,709.04	52,824.85	52,824.85		
Prepaid Expenditures			9713	524,012.66	504,012.66	504,012.66		
All Others			9719	0.00	0.00	0.00		
b) Restricted			9740	0.00	0.00	0.00		
c) Committed								
Stabilization Arrangements			9750	0.00	0.00	0.00		
Other Commitments			9760	0.00	0.00	0.00		
d) Assigned								
Other Assignments			9780	0.00	0.00	0.00		
e) Unassigned/Unappropriated								
Reserve for Economic Uncertainties			9789	2,240,678.00	2,240,678.00	2,479,569.00		
Unassigned/Unappropriated Amount			9790	4,979,516.98	3,196,082.76	3,104,387.76		

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<b>LCFF/REVENUE LIMIT SOURCES</b>								
Principal Apportionment State Aid - Current Year		8011	26,437,056.00	21,042,335.00	18,027,732.00	36,462,928.00	15,420,593.00	73.3%
Education Protection Account State Aid - Current Year		8012	0.00	8,569,232.00	4,284,615.00	8,569,232.00	0.00	0.0%
Charter Schools General Purpose Entitlement - State Aid		8015	2,481,581.00	2,481,581.00	1,184,050.00	0.00	(2,481,581.00)	-100.0%
State Aid - Prior Years		8019	0.00	0.00	0.00	0.00	0.00	0.0%
Tax Relief Subventions Homeowners' Exemptions		8021	121,942.00	120,912.00	60,375.46	120,912.00	0.00	0.0%
Timber Yield Tax		8022	0.00	0.00	0.00	0.00	0.00	0.0%
Other Subventions/In-Lieu Taxes		8029	0.00	0.00	0.00	0.00	0.00	0.0%
County & District Taxes Secured Roll Taxes		8041	16,042,301.00	17,383,899.00	9,450,915.41	17,383,899.00	0.00	0.0%
Unsecured Roll Taxes		8042	1,456,889.00	1,389,856.00	1,245,749.12	1,389,856.00	0.00	0.0%
Prior Years' Taxes		8043	0.00	0.00	0.00	0.00	0.00	0.0%
Supplemental Taxes		8044	1,006,000.00	867,000.00	439,368.09	867,000.00	0.00	0.0%
Education Revenue Augmentation Fund (ERAF)		8045	2,985,315.00	2,630,411.00	0.00	2,630,411.00	0.00	0.0%
Community Redevelopment Funds (SB 617/699/1992)		8047	58,046.00	73,005.00	36,436.56	73,005.00	0.00	0.0%
Penalties and Interest from Delinquent Taxes		8048	0.00	0.00	0.00	0.00	0.00	0.0%
Miscellaneous Funds (EC 41604) Royalties and Bonuses		8081	0.00	0.00	0.00	0.00	0.00	0.0%
Other In-Lieu Taxes		8082	0.00	0.00	0.00	0.00	0.00	0.0%
Less: Non-LCFF/Revenue Limit (50%) Adjustment		8089	0.00	0.00	0.00	0.00	0.00	0.0%
<b>Subtotal, LCFF/Revenue Limit Sources</b>			<b>50,589,130.00</b>	<b>54,558,231.00</b>	<b>34,729,241.64</b>	<b>67,497,243.00</b>	<b>12,939,012.00</b>	<b>23.7%</b>
<b>LCFF/Revenue Limit Transfers</b>								
Unrestricted LCFF/Revenue Limit Transfers - Current Year	0000	8091	(1,255,275.00)	(1,255,275.00)	0.00	(1,255,275.00)	0.00	0.0%
Continuation Education ADA Transfer	2200	8091						
Community Day Schools Transfer	2430	8091						
Special Education ADA Transfer	6500	8091						
All Other LCFF/Revenue Limit Transfers - Current Year	All Other	8091	0.00	0.00	0.00	0.00	0.00	0.0%
PERS Reduction Transfer		8092	72,368.00	0.00	0.00	0.00	0.00	0.0%
Transfers to Charter Schools in Lieu of Property Taxes		8096	(2,437,592.00)	(3,615,134.00)	(1,823,063.00)	(3,788,977.00)	(173,843.00)	4.8%
Property Taxes Transfers		8097	0.00	0.00	0.00	0.00	0.00	0.0%
Revenue Limit Transfers - Prior Years		8099	0.00	0.00	0.00	0.00	0.00	0.0%
<b>TOTAL, LCFF/REVENUE LIMIT SOURCES</b>			<b>46,968,631.00</b>	<b>49,687,822.00</b>	<b>32,906,178.64</b>	<b>62,452,991.00</b>	<b>12,765,169.00</b>	<b>25.7%</b>
<b>FEDERAL REVENUE</b>								
Maintenance and Operations		8110	0.00	0.00	0.00	0.00	0.00	0.0%
Special Education Entitlement		8181	0.00	0.00	0.00	0.00		
Special Education Discretionary Grants		8182	0.00	0.00	0.00	0.00		
Child Nutrition Programs		8220	0.00	0.00	0.00	0.00		
Forest Reserve Funds		8260	0.00	0.00	0.00	0.00	0.00	0.0%
Flood Control Funds		8270	0.00	0.00	0.00	0.00	0.00	0.0%
Wildlife Reserve Funds		8280	0.00	0.00	0.00	0.00	0.00	0.0%
FEMA		8281	0.00	0.00	0.00	0.00	0.00	0.0%
Interagency Contracts Between LEAs		8285	0.00	0.00	0.00	0.00	0.00	0.0%
Pass-Through Revenues from Federal Sources		8287	0.00	0.00	0.00	0.00		
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	3010	8290						

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NCLB: Title I, Part D, Local Delinquent Program	3025	8290						
NCLB: Title II, Part A, Teacher Quality	4035	8290						
NCLB: Title III, Immigration Education Program	4201	8290						
NCLB: Title III, Limited English Proficient (LEP) Student Program	4203	8290						
NCLB: Title V, Part B, Public Charter Schools Grant Program (PCSGP)	4610	8290						
Other No Child Left Behind	3011-3020, 3026-3205, 4036-4126, 5510	8290						
Vocational and Applied Technology Education	3500-3699	8290						
Safe and Drug Free Schools	3700-3799	8290						
All Other Federal Revenue	All Other	8290	0.00	0.00	0.00	0.00	0.00	0.0%
<b>TOTAL, FEDERAL REVENUE</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>OTHER STATE REVENUE</b>								
Other State Apportionments								
Community Day School Additional Funding Current Year	2430	8311						
Prior Years	2430	8319						
ROC/P Entitlement Current Year	6355-6360	8311						
Prior Years	6355-6360	8319						
Special Education Master Plan Current Year	6500	8311						
Prior Years	6500	8319						
Home-to-School Transportation	7230	8311						
Economic Impact Aid	7090-7091	8311						
Spec. Ed. Transportation	7240	8311						
All Other State Apportionments - Current Year	All Other	8311	0.00	0.00	0.00	0.00	0.00	0.0%
All Other State Apportionments - Prior Years	All Other	8319	0.00	0.00	0.00	0.00	0.00	0.0%
Year Round School Incentive		8425	0.00	0.00	0.00	0.00	0.00	0.0%
Class Size Reduction, K-3		8434	2,900,268.00	2,900,268.00	0.00	0.00	(2,900,268.00)	-100.0%
Child Nutrition Programs		8520	0.00	0.00	0.00	0.00		
Mandated Costs Reimbursements		8550	415,060.00	247,070.00	247,070.00	247,070.00	0.00	0.0%
Lottery - Unrestricted and Instructional Materials		8560	1,105,584.00	1,190,893.59	388,871.02	1,172,723.59	(18,170.00)	-1.5%
Tax Relief Subventions Restricted Levies - Other								
Homeowners' Exemptions		8575	0.00	0.00	0.00	0.00		
Other Subventions/In-Lieu Taxes		8576	0.00	0.00	0.00	0.00		
Pass-Through Revenues from State Sources		8587	0.00	0.00	0.00	0.00	0.00	0.0%
School Based Coordination Program	7250	8590						
After School Education and Safety (ASES)	6010	8590						
Charter School Facility Grant	6030	8590						
Drug/Alcohol/Tobacco Funds	6650, 6690	8590						
Healthy Start	6240	8590						
Specialized Secondary	7370	8590						
School Community Violence Prevention Grant	7391	8590						
Quality Education Investment Act	7400	8590						
All Other State Revenue	All Other	8590	6,067,743.00	8,767,743.00	247,604.00	47,660.00	(8,720,083.00)	-99.5%
<b>TOTAL, OTHER STATE REVENUE</b>			<b>10,488,655.00</b>	<b>13,105,974.59</b>	<b>883,545.02</b>	<b>1,467,453.59</b>	<b>(11,638,521.00)</b>	<b>-88.8%</b>