

# Imagine

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May  
2014

## Accounting Newsletter for Arizona School Districts

### Classroom Site Fund Updates

*by Karin M. Smith, MBA, SFO, Partner*

It is hard to believe that Classroom Site Fund has been in place for almost fourteen years. During a special session in June of 2000, the legislature approved Senate Bill (S.B.) 1007, which created the Classroom Site Fund to provide funding to school districts and charter schools for designated purposes. This measure was approved by the voters in the 2000 general election and was implemented May 31, 2001. This resulted in Arizona Revised Statute (A.R.S.) §15-977 Classroom site fund; definitions.



Over the years there have been many clarifications and updates made to the statute and the rules associated with this Fund. Most notably was a court decision in 2011 that further clarifies the Attorney General Opinion from 2001 regarding the definition of eligible staff to be paid from the Classroom Site Fund. The original opinion indicated that the individual must spend at least 50% of their time involved in classroom instruction. In the Reeves v Barlow case of 2011, the courts ruled that in order to be eligible for Classroom Site Funding, the individual must be certified as a teacher.

More recently, the State Statute was revised to include an additional performance element required for performance pay. Specifically, beginning in school year 2014-15, individual teacher performance as measured by the teachers' performance classification shall account for thirty-three percent of the forty percent allocated for teacher compensation based on performance. This information shall be considered when approving the district's performance pay plan for 2014-15 and beyond. ■

### Understanding the Letter of Transmittal for Your CAFR

*by Marvin M. Mendieta, CPA, Audit Manager*

If your District submits a comprehensive annual financial report (CAFR) as part of your annual financial statement audit, chances are you were asked to complete a letter of transmittal for the CAFR. As part of the introductory section of the CAFR, the letter of transmittal contains useful information regarding your District that provides additional analysis for the users of the CAFR. So what exactly goes into the letter of transmittal?

The letter of transmittal is composed of four basic sections:

- Formal transmittal of the CAFR
- Profile of the government
- Information useful in assessing the government's economic condition
- Awards and acknowledgements

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## Transmittal Letter for Your CAFR

(cont'd from P.1)

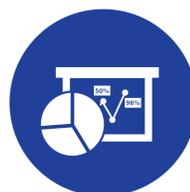
The first section discusses the formal transmittal of the CAFR for the benefit of the users. It usually starts with the discussion of the CAFR's role in meeting legal requirements of submitting a financial report. Next, it mentions the District's responsibility for the financial statements and the role of internal control. This section also mentions the independent audit that was performed to provide assurance that the CAFR contains reliable financial statements. Finally, readers of the financial statements are referred to the management's discussion and analysis (MD&A) section of the CAFR as complementary information.



The second section discusses the profile of the government. This section typically includes the government's basic information such as its structure, geography, population, and type of service. Discussion of component units is also included in this section. Finally, since budgets play a key role in governmental entities, budgets are also discussed. The discussion should include the governmental funds subject to annual appropriation and the legal level of budgetary control.



The third section discusses information that is useful in assessing the government's economic condition. This section includes not only the government's current economic condition, but it also includes the government's future financial position. Some of the types of information presented in this section include the discussion of local economy, long-term



(Continued on P.4)

## Client Spotlight - Mark Ollerton

*Mark Ollerton is the Business Manager of Snowflake Unified School District.*

### How long have you been in school finance?

I have been in School Finance since October, 1995.

### What was your professional experience prior to working in school finance?

My experience prior to school finance included sales, human resources, and quality assurance.

### What do you feel are the biggest challenges you face in school finance?

I think dealing with the constant changing environment that we work in presents some of the most incredible challenges. My greatest desire in my job is to always be able to make a positive difference. We are in the business of shaping lives. There is a trust that must be maintained in order for us to be effective. The decreasing resources and lack of legislative support has made making that difference difficult.

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## Spending More? Make Sure Your Policies are Current!

*by Karin M. Smith, MBA, SFO, Partner*

In October of 2013, the State Board of Education adopted new procurement bid thresholds. This increased the bid threshold to \$100,000. The Auditor General subsequently released new ranges for oral and written price quotations for purchases below the bid threshold. Three written quotes are now required for \$50,000 to \$100,000; three oral quotes for \$10,000 to \$50,000, and no complete bidding is required for below \$10,000. Although the Uniform System of Financial Records, VI-G-9 and 10 have been updated, Districts must ensure their local board policies are also updated. Watch for more information from the State Board of Education on the revised procurement rules to be determined soon. ■

## Client Spotlight - Mark Ollerton

(cont'd from P.2)

### What has been your biggest accomplishment at Snowflake Unified School District?

I have learned so much working here at Snowflake Unified School District. We have been able to pull together and gain the trust of our community as it relates to the finances of the district. Processes and procedures have been tightened to ensure accountability and success. We have passed two bonds that have led to the construction of classroom buildings, auditorium renovations, and sport facilities. We have worked with infrastructure both mechanical and technological to provide a safe and efficient learning environment. We have strived to be fiscally responsible through my tenure which has resulted in safeguarding the district financially through these difficult times. Overall our biggest accomplishment can be summed up in a philosophy of leaving a place better than when you found it. That is my goal.

### What are your biggest challenges working in a rural community?

Some of the biggest challenges in a rural community are the economies scale that exists in larger districts doesn't exist here. I have been in meetings where I have seen personnel from other districts that specialize in just a small part of my job. Someone may be just over benefits and another over purchasing, and human resources. You wear a lot of hats in a rural community school setting. The requirements for segregation of duties have everybody doing some part of some process. I listen to presenters give great statistical information of their school district and I find myself wishing I just had a little more time to do the type of studies that would help our district be a little more efficient.

### Please tell us a little about yourself outside of work.

My wife, Starr, and I were married nearly 24 years ago. We have two children. We have a son who is

married and is attending college and is in his final year of Nursing School. They have a son who is three and is so much fun. Yes, it is truly awesome to be a grandparent. Our daughter is currently serving a mission for the Church of Jesus Christ of Latter-Day Saints. She plans to continue college when she is done serving. Currently we spend the time outside of work doing projects on the house, spoiling grandchildren and taking care of family.

### What do you recommend to people entering the profession?

When I interviewed for my first job in school finance, 19 years ago, I asked my father what he would recommend I say and do as I proceed with this career. My dad taught high school and college math for 28 years. His advice to me was:

1. To be completely honest in all that you do.
2. To be willing to learn. So I put my trust in that and have tried to follow it with exactness. This is a changing profession and my advice would be to have strong personal ethics and work hard and learn as much as possible. There will be challenges. Those are the things that will teach us. I would encourage everyone to be positive and to remember that some things are interesting and enticing but other things are important. Personal ethics will be the filter that will help a person judge between the two. ■

## H&M News

H&M welcomes *Washington Elementary School District* as a new client - we are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success!

### Transmittal Letter for Your CAFR

(cont'd from P.2)

financial planning, relevant financial policies, and major initiatives. In general, this section allows management to provide prospective information (both financial and nonfinancial) about the government's economic condition in the future. Due to the nature of this section, some of the information presented can contain a certain level of subjectivity that would otherwise not be appropriate to be reported in other parts of the CAFR such as the MD&A and the notes to the financial statements.

Finally, the last section discusses the quality of the government's financial management. It also allows the government to recognize the parties involved in contributing to the preparation of the CAFR. It is typical to see the government's participation in ASBO's Certificate of Excellence in Financial Reporting mentioned in this section.



Because of the various elements discussed, the letter of transmittal is an important part of the CAFR that should be completed with care. Its purpose is not to duplicate what is already presented in the MD&A. The letter should be able to capture the interest of the readers to provide better insight of your District's activities and financial well-being. ■

### Puzzler

Decipher the hidden meaning: (Answer on p. 5)  
**you just me**

### Turning the Calendar...Another Year End Approaching

by Karin M. Smith, MBA, SFO, Partner

Each year seems to go by faster and faster! As we approach the end of fiscal year 2014, there are many tasks that need to be completed. The rollover of the financial system is a task that takes time and planning. Even once the new financial system is set up for new year, we still aren't finished in the old year. Often we want to jump right into the completion of our year end reporting, the Annual Financial Report (AFR).



Before the AFR is started, there are several tasks that need to be completed. Here are a few quick reminders:

- Charge the allowable indirect costs against grants
- Post interest earned through June 30
- File grant completion reports
- Verify State aid payments match the ADE reports
- If you maintain your Auxiliary Operations in a separate financial system, make sure you create a journal entry to bring the transactions into your general ledger.

These tasks are important to complete before the AFR is started and will save you much time in recreating expense reports. For more tricks and tips on preparing year end reporting and your AFR, watch for our HMU workshop entitled "The School District Guide to Completing the Annual Financial Report," tentatively scheduled for Monday, Sept. 15th. ■

### Upcoming School District Deadlines

<u>Due Date</u>	<u>Item</u>
Before May 15	Final budget revision must be approved by the Board
May 15	General Statement of Assurance form due to ADE
May 18	Final budget revision must be uploaded to ADE
By June 30	Monies in the petty cash account should be returned to the M&O Fund revolving back account  Monies in the Student Activities Fund revolving bank accounts must be returned to the M&O Fund (A.R.S. §15-1124)  Monies in the Auxiliary Operations Fund revolving bank accounts must be returned to the Auxiliary Operations Fund. (A.R.S. §15-1126.E)
June 30	Interest earned during the year on the Federal Savings Bond Withholdings, State Income Tax Withholdings, Federal Payroll Tax Withholdings, and Employee Insurance Programs Withholdings bank accounts must be remitted to the county treasurer for deposit in the district's M&O Fund. (A.R.S. §§15-1221.A, 15-1222.A, and 15-1223.B)  Districts should prepare a supplies inventory listing
July 5	Proposed budget due  Copy of the proposed budget and a notice of the public hearing and board meeting must be published in a newspaper or mailed to each household (A.R.S. §15-905.C). Districts must also upload their proposed budget to ADE's website. Districts who maintain websites should also provide a link to ADE's website (A.R.S. §15-905(A)(2)).

### About H&M

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff, Arizona. With more than 28 years of experience, we are the recognized leaders in the State of Arizona in the field of school district accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting your school district. We offer this free newsletter as part of our commitment to providing resources and training to school district business personnel.

For more about our firm, please visit our web site at [www.heinfeldmeech.com](http://www.heinfeldmeech.com).



Answer to Puzzler (Page 4): "Just between you and me"