

SESSION #4

September Tentative Outline

Teaching Goals for this session (building upon last session):

- Provide CBOs with information on basic financial reporting that will enable them to read and understand financial reports**
- Analyze data to arrive at conclusions**
- Understand how districts find themselves in fiscal crisis and the CBOs leadership role**
- And to keep you further out of trouble...some Free Advice on Debt Financing**

LOTTO

CELEBRATIONS
CHALLENGES



Tentative Outline

Friday night

5:00 to 5:30 WORKING DINNER (Bill)

5:30 to 7:30

**Lori Raineri with Jonathan Edwards
Government Financial Strategies Inc.**

1228 N Street, Suite 13, Sacramento, CA 95814 - www.gfsi.com

7:30 to 9:30

Joel Montero, FCMAT

An entertaining two hours of “What not to do”.

**Stories of fiscal crisis and lessons learned for future
CBOs.**

Saturday Tentative Outline

| | |
|-----------------------|--|
| 8:00 to 10:00 | Financial Basics (Francie) |
| 10:00 to 11:00 | Leadership Laws (Bill M). |
| 11:00 to 12:00 | Financial Basics (Francie) |
| 12:00 to 1:00 | Lunch and Financial Presentations |
| 1:00 to 1:30 | Leadership Laws (Bill M) |
| 1:30 to 2:30 | Financial Basics (Francie) |

Schedule

| 2008-09 CBO Mentor Project | | | |
|----------------------------|---|----------------------------------|--|
| | 4 | 5 | 6 |
| | August 22 & 23 | September 12 & 13 | October 17 & 18 |
| 5:00 to 5:30 | Dinner/greetings | | |
| 5:30 to 7:30 | Debt Financing (Lori Raineri) | Budget Development (Bill M) | Building Relationships with HR/Position Control (Don Zimring) |
| 7:30 to 9:30 | Staying out of Trouble /What's ahead in these Difficult Budget Times? Joel Montero | | |
| Saturday | | | |
| 8:00 TO 10:00 | Financial Reporting (Francie) | Medical Benefits (Teri Ezaki) | Annual Audit (John Goodell) |
| 10:00 to 11:00 | Leadership laws | Budget Development (Bill M) | Facilities A to Z (Eric Hall) |
| 11:00 to 12:00 | Financial Reporting | | |
| 12:00 to 1:00 | Lunch/Financial Presentations | | |
| 1:00 to 1:30 | Leadership laws | | |
| 1:30 to 2:30 | Financial reporting (Francie Heim) | | |

Mentor Discussion

Talk to your mentor about how they analyze a financial report that comes to them from their Director of Fiscal Services for final review and approval. What tools do they use to analyze the data? What are the critical elements they look for when they review?

NEW. We are going to start practicing early for your CBO job interview. Ron Bennett and Carol Berg will be joining us at our last class to help you practice your interview skills. But rather than leaving that major skill set to the very last class, we thought we would begin threading practice interview questions into your mentor conversations. So...ask your mentor, what is their favorite interview question? Respond to the question as though you were in an interview. Have them critique your response.

September Mentor Discussion

Discuss with your mentor their tips for a successful budget presentation. What advice would they give you regarding budget documents? Budget presentations?

What health and welfare benefits does your district offer? Medical, dental, vision, life insurance, EAP, other? What are the costs? Who are the providers? Do you have a benefit cap? What does the contract language say? Talk to your mentor about caps on benefits and the various ways in which they might work in contract language. Bring to the class your contract language relative to benefit caps. Be prepared to talk about your benefits costs and benefit caps.

ASSIGNMENTS TO DATE

You should have turned in your income paper August 1. Instructor feedback to be provided.

Attend a board meeting in June where a budget is being presented. Be prepared to report out about the experience. (Your district, your mentor's district, or another district of your choice)

Attend a JPA meeting (workers compensation/property & liability/health and welfare) – not due until September but if you want to get an early start – go for it!

Leadership workbook assignment (from Bill McGuire)

Financial Review assignment (from Francie)

Two more Assignments

- Prepare a board summary report of your district's prior year actuals. This report should include:
 - Spreadsheet summary of variances from last information told to board and final information at year end with narrative explaining the variances
 - Documents to look for:
 - 2008-09 Budget to board – find 2007-08 estimated actuals from this document
 - 2007-08 Actuals (September 15, 2008 document)

If you do not have a district, request your mentor's assistance in finding a suitable district for analysis.
Finished assignment due – October 17, 2008 to submit electronically to instructors.

End of year variance analysis due to your mentor by September 30 for mentor review and input. The variance analysis will include a narrative and a summary financial document. The template for the financial report will be provided (will send at later date). Mentor review should be done and rewrites finalized by the October meeting. Mentors are asked to pay particular attention to the narrative and provide input that makes the document "board package ready." Your rewritten assignment is due at the October meeting.

User Friendly BUDGET. CD provided. Your job is to complete the User Friendly Budget.

Complete all sections of UFB 6.2 for the District/COE of your choice. Review and discuss with your mentor prior to the class. Be prepared to report out in TWO minutes and two minutes only what you learned about budgeting in CA using UFB during dinner on October 17, 2008. Bring one copy to the class.

And not due until November – but you need to attend a collective bargaining session. If for some reason this is not possible, see the instructors for alternatives.

And for the really early birds – get working on your resume – (due in January) and get input from your mentor.

Samples of What Not to Do on Your Assignment

Do you want to be viewed as a visionary CBO who is a leader?

Or do you want people to view you as the bean counter fiscal person?

Your language – both verbal and written – gives you away.

Attached are samples from previous submissions of the “year end variance” report to the board.

Original Narrative

In FY 2004-05 the Board decided to transfer all the project-related legal fees from the General Fund to the Construction Funds. This resulted in a saving of \$300K in the G/F.

What's wrong with this statement?

Was it written by a Visionary Leader? Or a Bean counter?

□ In FY 2004-05 the Board decided to transfer all the project-related legal fees from the General Fund to the Construction Funds. This resulted in a saving of \$300K in the G/F.

□ Possible rewrite:

A review of legal costs incurred in 2004-05 resulted in a determination that the costs were related to construction projects and were an appropriate charge to the bond fund. This resulted in a savings of over \$300,000 in the general fund.

Original Narrative

- ❑ **The District made significant efforts to reduce the number of students in NPS by hiring staff to provide such services at a lower cost. It saved \$429K on Non-Public School costs in FY 2004-05. Transportation and Special Education Transportation also ended the year with \$409K and \$102K savings, respectively. Transportation started the school year with 37 Home to School routes and after route consolidation ended the year with 32.**

□ The District made significant efforts to reduce the number of students in NPS by hiring staff to provide such services at a lower cost. It saved \$429K on Non-Public School costs in FY 2004-05. Transportation and Special Education Transportation also ended the year with \$409K and \$102K savings, respectively. Transportation started the school year with 37 Home to School routes and after route consolidation ended the year with 32.

□ Possible rewrite:

In an effort to contain rising special education costs while continuing to provide a high level of service, the district has instituted changes that resulted in savings of over \$900,000. The primary changes were to hire staff in lieu of contracting out for non public school student services (over \$400 m. savings) and consolidate special education transportation bus routes (over \$500,000 savings).

Original Narrative

- 1. Increase in revenue limit is due to the release of an A/P from 2001/02 which was the result of an instructional minute audit finding. In 04/05 the district finally received a waiver from CDE, therefore allowing release of the payable of \$45,010 to the State of California. I also released a payable to the State of \$1,226 from the 03/04 year.**

Possible Rewrite

1. Revenue Limit funding increased \$46,000 from a one time prior year adjustment. A 2001-02 instructional minute audit finding was finally resolved with a favorable result to the district.

Original Narrative

- ❑ Certificated Salaries were underestimated by \$153,549. The majority of this underestimation had to do with the initial charge of certificated salaries to categorical programs. Once cleared with our outside auditors we received information that such salaries could not be charged to categorical programs, therefore, we had to charge them to the unrestricted side of certificated salaries.

Possible Rewrite

As part of year end close, a careful review of categorical expenditures is performed. It was determined that \$153,000 of certificated salaries budgeted as an expense to categorical programs were more appropriately charged to unrestricted general funds sources, resulting in an expense greater than the amount budgeted in June of 2005.

DISCLAIMER

FRANCIE'S BASIC ACCOUNTING AND FINANCIAL REPORTING GUIDE

GUARANTEE - For those new to the “financial side of the house” – This is just enough information to make you dangerous.

For those immersed in the financial minutia, hopefully this will provide you with the “bigger” picture look.

Accounting Terms Fund Accounting

- ❑ The function of all accounting systems is to present fairly and with full disclosure the financial position of a business in conformity with generally accepted accounting principles (GAAP).**
- ❑ A fund is a fiscal and accounting entity with a self-balancing set of accounts.**
- ❑ The financial transactions of an LEA (local educational agencies) are separated into various funds in order to permit administrators to ensure, and report on, compliance with the laws and regulations which affect LEAs.**

Categories and Types of Funds

| Fund Category | Fund Type | Basis of Accounting |
|---------------------------|--|----------------------------|
| Governmental Funds | General Fund | Modified Accrual |
| | Special Revenue Fund | |
| | Capital Project Fund | |
| | Agency Fund | |
| | Permanent Fund | |
| Proprietary Funds | Enterprise Fund | Accrual |
| | Internal Service Fund | |
| Fiduciary Funds | Pension (and other employee benefit) Trust Fund | Accrual |
| | Private- Purpose Trust Fund | |
| | Agency Fund | |

Basis of Accounting

- Basis of accounting refers to when revenues, expenditures are recognized and reported
- Cash (not OK for LEAs, Local Education Agencies)
- Modified Accrual (most funds)
 - Revenues recorded when available and measurable.
Liabilities recorded when incurred.
- Accrual (limited use)
 - Revenues are recorded when earned and measurable.
Liabilities recorded when incurred (includes depreciation)

01–60 GOVERNMENTAL FUNDS

- 01 General Fund
 - 03 General Fund Unrestricted*
 - 06 General Fund Restricted*
- 09–20 Special Revenue Funds
 - 09 Charter Schools Special Revenue Fund**
 - 11 Adult Education Fund**
 - 12 Child Development Fund**
 - 13 Cafeteria Special Revenue Fund**
 - 14 Deferred Maintenance Fund**
 - 15 Pupil Transportation Equipment Fund**
 - 16 Forest Reserve Fund**
 - 17 Special Reserve Fund for Other Than Capital Outlay Projects**
 - 18 School Bus Emissions Reduction Fund**
 - 19 Foundation Special Revenue Fund**
 - 20 Special Reserve Fund for Postemployment Benefits**
- 21–50 Capital Project Funds
 - 21 Building Fund**
 - 25 Capital Facilities Fund**
 - 30 State School Building Lease-Purchase Fund**
 - 35 County School Facilities Fund**
 - 40 Special Reserve Fund for Capital Outlay Projects**
 - 49 Capital Project Fund for Blended Component Units**
- 51–56 Debt Service Funds
 - 51 Bond Interest and Redemption Fund**
 - 52 Debt Service Fund for Blended Component Units**
 - 53 Tax Override Fund**
 - 56 Debt Service Fund**
- 57–60 Permanent Funds
 - 57 Foundation Permanent Fund**

Allowable Funds

61–70 PROPRIETARY FUNDS

- 61–65 Enterprise Funds
 - 61 Cafeteria Enterprise Fund**
 - 63 Other Enterprise Fund**
- 66–68 Internal Service Funds
 - 66 Warehouse Revolving Fund**
 - 67 Self-Insurance Fund**

71–95 FIDUCIARY FUNDS

- 71–75 Trust Funds
 - 71 Retiree Benefit Fund**
 - 73 Foundation Private-Purpose Trust Fund**
- 76–95 Agency Funds
 - 76 Warrant/Pass-Through Fund***
 - 95 Student Body Fund***

*Not required to be reported to CDE; however, these funds are required to be included in the audited financial statements to meet GAAP reporting requirements.



Sample District Summary (about 7,000 students)

| 4 | | General Fund | Adult Education Fund | Cafeteria Fund | Deferred Maintenance Fund | Developer Fee Fund | State School Building Funds | School Facilities Fund | Building Fund | Total |
|----|----------------------------|--------------|----------------------|----------------|---------------------------|--------------------|-----------------------------|------------------------|---------------|------------|
| 5 | Total Revenues | 46,899,208 | 447,342 | 1,706,888 | 218,933 | 2,636,613 | 330,298 | 5,946,013 | 1,538,445 | 59,723,740 |
| 6 | Total Expenses | 46,044,082 | 442,716 | 1,685,527 | 246,313 | 3,161,726 | 32,107 | 2,562,141 | 2,435,767 | 56,610,379 |
| 7 | Excess (Deficiency) | 855,126 | 4,626 | 21,361 | (27,380) | (525,113) | 298,191 | 3,383,872 | (897,322) | 3,113,361 |
| 8 | Beginning Balance | 2,965,153 | | 2,000 | 28,122 | 4,554,018 | (298,191) | (1,638,682) | 1,981,016 | 7,593,436 |
| 9 | Ending Balance | 3,820,279 | 4,626 | 23,361 | 742 | 4,028,905 | | 1,745,190 | 1,083,694 | 10,706,797 |
| 10 | <i>E.B. Components:</i> | | | | | | | | | |
| 11 | <i>E.U.R.</i> | 1,565,499 | | | | | | | | 1,565,499 |
| 12 | | | | | | | | | | |
| 13 | <i>Legally Restricted</i> | 1,085,332 | 4,626 | | 742 | 4,028,905 | | 1,745,190 | 1,083,694 | 7,948,489 |
| 14 | <i>District Restricted</i> | 595,358 | | 10,823 | | | | | | 606,181 |
| 15 | <i>Prepad Expenses</i> | 325,697 | | | | | | | | 325,697 |
| 16 | <i>Unrestricted</i> | 248,393 | | 12,538 | | | | | | 260,931 |
| 17 | <i>Total</i> | 3,820,279 | 4,626 | 23,361 | 742 | 4,028,905 | | 1,745,190 | 1,083,694 | 10,706,797 |
| 18 | <i>EUR as %</i> | 3.40% | | | | | | | | |
| 19 | <i>Proof</i> | | | | | | | | | |

General Fund

- The chief operating fund
- Used to account for the ordinary operations of the LEA
- All transactions except those required or permitted by law to be in another fund are accounted for in this fund
- Within the General Fund, **restricted** projects or activities must be identified and separated from **unrestricted** activities. The LEA has the option of using one general fund or of separating transactions into two general funds: restricted and unrestricted.

General Fund: Unrestricted and Restricted

Sample District (SMALL @600 students)

| | Adopted Budget updated w/ Beg Balance | | | 1st Interim | | | Unrestricted Change | Restricted Change |
|--|---------------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------|-------------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total | | |
| Revenue Detail | | | | | | | | |
| Revenue Limit | 3,548,068 | 9,225 | 3,557,293 | 3,538,187 | 9,451 | 3,547,638 | (9,881) | 226 |
| Federal Revenue | 34,941 | 212,842 | 247,783 | 34,941 | 280,496 | 315,437 | - | 67,654 |
| Other State Revenue | 365,478 | 500,842 | 866,320 | 373,831 | 522,092 | 895,923 | 8,353 | 21,250 |
| Other Local Revenue | 211,911 | 215,040 | 426,951 | 188,246 | 229,976 | 418,223 | (23,665) | 14,937 |
| Total Revenue | 4,160,398 | 937,949 | 5,098,347 | 4,135,205 | 1,042,015 | 5,177,220 | (25,193) | 104,067 |
| Expenditure Detail | | | | | | | | |
| Certificated | 1,886,525 | 312,939 | 2,199,464 | 1,969,756 | 307,329 | 2,277,085 | 83,231 | (5,610) |
| Classified | 394,377 | 250,891 | 645,268 | 386,915 | 309,873 | 696,788 | (7,462) | 58,983 |
| Employee benefits | 923,973 | 248,528 | 1,172,501 | 931,083 | 226,778 | 1,157,861 | 7,110 | (21,750) |
| Books & Supplies | 87,741 | 163,870 | 251,611 | 89,657 | 214,177 | 303,834 | 1,915 | 50,307 |
| Service, Other Operating | 401,971 | 202,795 | 604,766 | 396,742 | 239,867 | 636,609 | (5,229) | 37,072 |
| Capital Outlay | - | - | - | - | - | - | - | - |
| Other Outgo | 176,596 | - | 176,596 | 182,095 | 15,382 | 197,477 | 5,499 | 15,382 |
| Direct Support/Indirect | (75,205) | 63,990 | (11,215) | (103,540) | 92,325 | (11,215) | (28,336) | 28,336 |
| Total Expenditures | 3,795,980 | 1,243,012 | 5,038,992 | 3,852,709 | 1,405,732 | 5,258,441 | 56,729 | 162,720 |
| Excess/(Deficiency) | 364,418 | (305,064) | 59,355 | 282,497 | (363,717) | (81,220) | (81,922) | (58,653) |
| Other Financing Sources/uses | | | | | | | | |
| Transfers In | - | - | - | - | - | - | - | - |
| Transfers Out | 33,871 | - | 33,871 | 33,871 | - | 33,871 | - | - |
| Other Sources | - | - | - | - | - | - | - | - |
| Other Uses | - | - | - | - | - | - | - | - |
| Contributions | (305,064) | 305,064 | 0 | (314,558) | 314,558 | - | (9,494) | 9,494 |
| Total Other Sources/Uses | (338,935) | 305,064 | (33,871) | (348,429) | 314,558 | (33,871) | (9,494) | 9,494 |
| Net Inc/Dcr to Fund Balance | 25,484 | 0 | 25,484 | (65,932) | (49,159) | (115,091) | (91,416) | (49,159) |
| Beginning Balance | 152,094 | 49,159 | 201,253 | 152,094 | 49,159 | 201,253 | - | 0 |
| Ending Balance | 177,578 | 49,159 | 226,738 | 86,162 | - | 86,162 | (91,416) | (49,159) |
| Components of Ending Fund Balance | | | | | | | | |
| Revolving Cash | 1,625 | - | 1,625 | 1,625 | - | 1,625 | - | - |
| Stores | 1,164 | - | 1,164 | 224 | - | 224 | (940) | - |
| Prepaid Expend. | - | - | - | - | - | - | - | - |
| Reserve for Economic Uncertainty | 174,789 | - | 174,789 | 77,068 | - | 77,068 | (97,721) | - |
| Other restricted | - | 49,159 | 49,159 | 7,245 | - | 7,245 | 7,245 | (49,159) |
| Undesignated | 0 | - | 0 | - | - | - | (0) | - |
| Total | 177,578 | 49,159 | 226,737 | 86,162 | - | 86,162 | (91,416) | (49,159) |
| % EUR | | | 3.45% | (0) | | 1.46% | (0) | - |

Standardized Account Code Structure

SACS

SACS codes/Resource/Goals

□ SACS

- Standardized Account Code Structure
- Provide statewide consistent financial data to State and US Department of Education
- Complies with federal reporting requirements
- Ability to account for revenues and expenses by funding source

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

| | | | | | | | |
|-------------|------|----------|--------------|------|----------|--------|--------|
| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

□ RESOURCE

| |
|----------|
| RESOURCE |
| 4 |

- Where the funds come from
 - Restricted
 - Unrestricted
- Track required categorical income/expenditures
- Track other activities with special reporting requirements, e.g., Lottery
- Track locally restricted activities, e.g., donations
- View each resource like a separate business with its own set of self balancing accounts

| | | | | | | | |
|-------------|------|---------------|--------------|------|----------|--------|--------|
| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
| # OF DIGITS | 2 | RESOURCE 4 | 1 | 4 | 4 | 4 | 3 |

- **Superintendent (CBO) Leadership ROLE**
 - Are systems in place to ensure that RESOURCES ARE BALANCED?
 - Major problems if not done properly
 - Has direct support and indirect been charged properly?
 - Example - Your CFO provides you with a financial report that shows the following:

| | | Unrestricted | Restricted | Total |
|---|--------------------|--------------|------------|-----------|
| 1 | | | | |
| 2 | Income | 800,000 | 230,000 | 1,030,000 |
| 3 | Expenditure | 800,000 | 300,000 | 1,100,000 |
| 4 | Income - Exp. | - | (70,000) | (70,000) |
| 5 | GF Contribution | (50,000) | 50,000 | - |
| 6 | Adj. Income - Exp. | (50,000) | (20,000) | (70,000) |
| 7 | Beg. Balance | 250,000 | 60,000 | 310,000 |
| 8 | Ending Balance | 200,000 | 40,000 | 240,000 |

is this correct?

Balancing Resources

- **Superintendent (CBO) Leadership ROLE**
 - This is the detail you don't see in financial reports
 - Develop systems to ensure that this type of reconciliation is prepared and reviewed for reasonableness

| 1 | | Unrestricted | State Grant | Transportation | Inst. Materials | Local Donation | Total |
|---|--------------------|--------------|-------------|----------------|-----------------|----------------|-----------|
| 2 | Income | 800,000 | 100,000 | 100,000 | 25,000 | 5,000 | 1,030,000 |
| 3 | Expenditure | 800,000 | 75,000 | 150,000 | 60,000 | 15,000 | 1,100,000 |
| 4 | Income - Exp. | - | 25,000 | (50,000) | (35,000) | (10,000) | (70,000) |
| 5 | GF Contribution | (50,000) | | 50,000 | | | - |
| 6 | Adj. Income - Exp. | (50,000) | 25,000 | - | (35,000) | (10,000) | (70,000) |
| | - | - | | | | | - |
| 7 | Beg. Balance | 250,000 | | | 50,000 | 10,000 | 310,000 |
| 8 | Ending Balance | 200,000 | 25,000 | - | 15,000 | - | 240,000 |

Example – Resource Balanced

is this correct?

| | | Unrestricted | Restricted | Total |
|---|--------------------|--------------|------------|-----------|
| 1 | | | | |
| 2 | Income | 800,000 | 230,000 | 1,030,000 |
| 3 | Expenditure | 800,000 | 300,000 | 1,100,000 |
| 4 | Income - Exp. | - | (70,000) | (70,000) |
| 5 | GF Contribution | (25,000) | 25,000 | - |
| 6 | Adj. Income - Exp. | (25,000) | (45,000) | (70,000) |
| 7 | Beg. Balance | 250,000 | 60,000 | 310,000 |
| 8 | Ending Balance | 225,000 | 15,000 | 240,000 |

can you spot the error?

| | | Unrestricted | State Grant | Transportation | Inst. Materials | Local Donation | Total |
|---|--------------------|--------------|-------------|----------------|-----------------|----------------|-----------|
| 1 | | | | | | | |
| 2 | Income | 800,000 | 100,000 | 100,000 | 25,000 | 5,000 | 1,030,000 |
| 3 | Expenditure | 800,000 | 75,000 | 150,000 | 60,000 | 15,000 | 1,100,000 |
| 4 | Income - Exp. | - | 25,000 | (50,000) | (35,000) | (10,000) | (70,000) |
| 5 | GF Contribution | (25,000) | | 25,000 | | | - |
| 6 | Adj. Income - Exp. | (25,000) | 25,000 | (25,000) | (35,000) | (10,000) | (70,000) |
| | | - | | | | | - |
| 7 | Beg. Balance | 250,000 | | | 50,000 | 10,000 | 310,000 |
| 8 | Ending Balance | 225,000 | 25,000 | (25,000) | 15,000 | - | 240,000 |

Consequence of Error

- ❑ In the previous example, you would have overstated unrestricted ending balance by over \$25,000
- ❑ Other common errors
 - Not tracking local donations/local sources
 - Unspent dollars end up in unrestricted ending balance with no designated restriction
 - CBO reports these dollars as available and the Superintendent and board spend the money
 - CBO gets a big surprise when the PTA or Site Principal ask; “Where is the budget for the \$50,000 donation deposited in the prior year that they were planning on spending this year!”

Supt (CBO) Leadership Role - are systems in place to track income and expenditures by resource?

| | | | | | | | |
|-------------|------|----------|---------------------|------|----------|--------|--------|
| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
| # OF DIGITS | 2 | 4 | PROJECT YEAR | 4 | 4 | 4 | 3 |
| | | | 1 | | | | |

PROJECT YEAR

- Primarily used for federal projects that cross fiscal years
- Federal Fiscal year
 - October 1 to September 30
- Example for 2004-05 State Transaction Cycle (July to June)
- Federal grant expenditures might be coded as follows:
 - 4 (2003-04 federal year) July 2004 to September 2004
 - 5 (2004-05 federal year) October 2004 to June 2005

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | | 4 | 4 | 3 |



GOAL

WHO – Instructional and Community Programs

- Regular Education
- Continuation
- Adult Education
- Special Education

Supt/CBO Leadership ROLE

- Are systems in place to appropriately track reporting of goal?
- Consequence of Error
 - Special Education reporting – maintenance of effort federal requirements

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

| FUNCTION |
|----------|
| 4 |

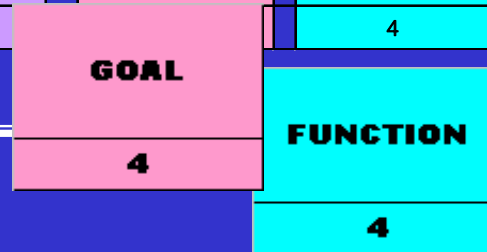
FUNCTION

WHAT – Primary operational area

- Direct Instruction to Pupils
- Support Services to Instruction
 - Instructional Support
 - Pupil Services
 - Ancillary Services
 - Community Services
 - Enterprise
 - General Administration (indirect pool)
 - Plant Services
 - Other Outgo

Function field in conjunction with GOAL will be used to determine indirect cost

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | | 4 | 4 | 3 |

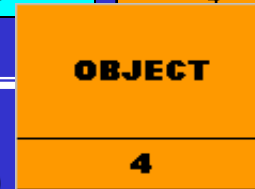


FUNCTION & GOAL

Supt/CBO Leadership ROLE

- Are systems in place to appropriately track function and goal?
- Consequence of Error
 - Indirect rate under reported – limits amount you can charge various categorical programs

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

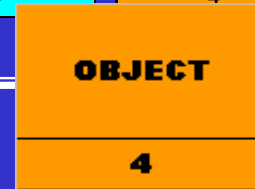


OBJECT CODE

Basic Categories of Expenditures (object codes)

- **1xxx Certificated Salaries**
 - Positions requiring credential (e.g., teachers)
- **2xxx Classified Salaries**
 - Positions not requiring credential (e.g., instructional aides, bus drivers)
- **3xxx Benefits**
 - E.g., Retirement (STRS,PERS, Social Security), Health and welfare, unemployment, workers compensation
- **4xxx Books and Supplies**
- **5xxx Operating Expenditures**
 - Travel, Conference, Contracts, Operating Expenditures, e.g., electricity, telephone
- **6xxx Capital Outlay**
 - Typically capital outlay purchases over \$5,000
- **7xxx Other Outgo**
 - E.g., transfers to other funds

| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |



OBJECT CODE

Supt/ CBO LEADERSHIP ROLE

- Are systems in place to ensure that expenditures are posted to the correct accounts?
- E.g., Site Principals may charge a conference expenditure to a books/supply account because the supply account has a budget balance available
- Consequence of error
 - Comparative data analysis with other districts will show anomalies
 - Inconsistent data from year to year comparison
 - Potential flawed calculation on % of budget (with exclusions) spent for teacher/instructional aides and related benefits

| | | | | | | | |
|-------------|------|----------|--------------|------|----------|--------|--------|
| DESCRIPTION | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
| # OF DIGITS | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

SCHOOL

- Optional field
- Not reported to CDE at this time
- To track or not to track?

Tracking costs of school

- Value of data
- School A has teachers with significant experience
- School B has new teachers

| | School A | School B | Variance |
|------------------------------|-------------|-------------|-----------|
| # students | 500 | 500 | - |
| Average Class Size | 25 | 25 | - |
| # of Teachers | 20 | 20 | - |
| Average Salary with benefits | 60,000 | 40,000 | 20,000 |
| Teacher Salaries | 77,200 | 54,800 | 22,400 |
| Other Costs | 1,544,000 | 1,096,000 | 448,000 |
| Total | 600,000 | 600,000 | - |
| Expenditures per Student | 2,144,000 | 1,696,000 | 448,000 |
| | \$ 4,288.00 | \$ 3,392.00 | \$ 896.00 |

conclusion from the data?

Other Codes

| Description | FUND | RESOURCE | PROJECT YEAR | GOAL | FUNCTION | OBJECT | SCHOOL |
|-------------|------|----------|--------------|------|----------|--------|--------|
| # of Digits | 2 | 4 | 1 | 4 | 4 | 4 | 3 |

- Your system may have additional “local” codes
- Useful for tracking additional information not collected by the state

| LOCAL 1 | LOCAL 2 | LOCAL 3 |
|---------|---------|---------|
| 3 | 4 | 2 |

sample district matrix

Placerville Union School District

| FUND | RESOURCE | Project Year | OBJECT | GOAL | FUNCTION | LOCAL 1 | LOCAL 2 | LOCAL 3 | SCHOOL |
|------|----------|--------------|--------|------|----------|---------|---------|---------|--------|
| XX | XXXX | X | XXXX | XXXX | XXXX | XXX | XXXX | XX | XXX |

Field

Examples

Questions

Fund - Set of financial accounts to carry on specific activities

01-General Fund
13-Cafeteria Fund

What fund does the transaction belong in?

Resource- Tracks revenues that have restrictions on how funds are to be spent & Tracks activities that have financial reporting requirements

3010-Title I
7230-Transportation

Where have the funds come from?
Is this a restricted resource?
Are there reporting requirements?

Project Year-Tracks Federal Grants that span multiple fiscal years (we do not have any at this time - we use "0")

Object - Classifies expenditures by the type of items purchased or services obtained

4300-Supplies
5200-Travel & conference

What type of item or service is this?

Goal - Defines an instructional setting or a specific population. Allows accounting for different types of instruction and services

0000-Undistributed (serves all)
1110-Regular Ed, K-12
5770-Special Ed, non-severe

Whom are you serving?

Function- General operational area or type of activity

1000-Instruction
2700-School Site Administration

What are you doing?

Local 1 - Defines site of expenditure

015-Markham
081-Districtwide

What site is it?

Local 2 - Used for tracking monies designated for special purposes and other special tracking

0011-Donations
0168-GPA

Is a particular "pot" being spent from?
Are there special tracking needs?

Local 3 - Designates if monies are discretionary or other tracking

16-Schnell (discretionary)
60-Technology

Is discretionary money being spent?
Do we track these expenses with a Local 3 code?

CBO Leadership Role

Accurate Budget Data & Accurate Financial Reporting

- Dependent upon systems, systems, & more systems**
- Assume sound budget development systems are in place (another CBO mentor session topic)...the next step is tracking revenue/expenditures to budget...which leads to financial reporting.**
- What systems are in place to ensure that transactions are properly coded? Do you have an ongoing training program for all staff (including school site staff involved in account coding).**
- What systems are in place to ensure that transactions are monitored relative to the budget? Do you have a comprehensive Budget review/monitoring process?**

CBO Leadership Role

- What systems are in place for accurate year end closing procedures?**
 - **Income – determination of what the income should be and posting of appropriate receivables and payables**
 - **Expenditures – ensuring that all expenditures are posted and payables posted as appropriate.**
 - **Determination of deferred income/carryover and other restricted amounts**

- What systems are in place for following up on year end closing – monitoring those receivables and payables to determine if they come true to projections?**

Financial Reporting / Budgets

Basic Reporting Cycle

Preliminary Budget July 1, 2007

- Note – typically no state budget yet
- Revise budget 45 days after State of CA budget adoption if material revisions

First Interim December 15, 2007

- Board approval by December 15 (for time period ended October 31)

Basic Reporting Cycle

Second Interim

- Board approval by March 16, 2008 (for time period ended January 31)

Third Interim (optional) (April to June 2008)

- Required if qualified

June update (optional)

- Most districts provide current year update with next year budget but OK to use 2nd interim

Quick Reading of Financial Statements

- Your Director of Fiscal Services prepares a 1st interim report for your review**
- Where do you start your review?**
 - **Sample Summary of SACS document attached**
 - **Compare unrestricted total from last report to next report**
 - **Compare restricted total from last report to next report**
 - **What are the differences?**
 - **Suggested format for tracking the changes - can avoid some serious mistakes**
 - **Compare Budget to YTD actuals**

| 2 | b | c | d | e | f | g | h | i | j | k |
|----|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------------------|-------------------------------|------------------|
| 3 | | Adopted Budget | | | 1st Interim | | | | | |
| 4 | | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total | Unrestricted Variance f-c | Restricted Variance g-d | Total Change |
| 5 | | | | | | | | | | |
| 6 | Revenue Detail | | | | | | | | | |
| 7 | Revenue Limit | 22,547,098 | 850,000 | 23,397,098 | 22,547,098 | 850,000 | 23,397,098 | - | - | - |
| 8 | Federal Revenue | 250,812 | 2,401,954 | 2,652,766 | 250,812 | 2,721,187 | 2,971,999 | - | 319,233 | 319,233 |
| 9 | Other State Revenue | 2,086,406 | 5,035,166 | 7,121,572 | 2,086,406 | 5,201,994 | 7,288,400 | - | 166,828 | 166,828 |
| 10 | Other Local Revenue | 297,000 | 350,575 | 647,575 | 297,000 | 358,051 | 655,051 | - | 7,476 | 7,476 |
| 11 | Total Revenue | 25,181,316 | 8,637,695 | 33,819,011 | 25,181,316 | 9,131,232 | 34,312,548 | - | 493,537 | 493,537 |
| 12 | | | | | | | | | | |
| 13 | Expenditure Detail | | | | | | | | | |
| 14 | Certificated | 13,587,220 | 4,095,988 | 17,683,208 | 13,605,469 | 4,064,391 | 17,669,860 | 18,249 | (31,597) | (13,348) |
| 15 | Classified | 2,767,638 | 2,506,541 | 5,274,179 | 2,799,238 | 2,594,432 | 5,393,670 | 31,600 | 87,891 | 119,491 |
| 16 | Employee benefits | 5,250,950 | 1,957,225 | 7,208,175 | 5,357,419 | 1,983,831 | 7,341,250 | 106,469 | 26,606 | 133,075 |
| 17 | Books & Supplies | 487,468 | 970,594 | 1,458,062 | 474,200 | 1,661,078 | 2,135,278 | (13,268) | 690,484 | 677,216 |
| 18 | Service, Other Operating | 1,863,078 | 225,184 | 2,088,262 | 1,832,589 | 324,115 | 2,156,704 | (30,489) | 98,931 | 68,442 |
| 19 | Capital Outlay | 8,000 | 329,506 | 337,506 | 15,140 | 287,784 | 302,924 | 7,140 | (41,722) | (34,582) |
| 20 | Other Outgo | 110,179 | 611,369 | 721,548 | 110,179 | 611,369 | 721,548 | - | - | - |
| 21 | Direct Support/Indirect | (79,828) | 79,828 | - | (81,648) | 81,648 | - | (1,820) | 1,820 | - |
| 22 | Total Expenditures | 23,994,705 | 10,776,235 | 34,770,940 | 24,112,586 | 11,608,648 | 35,721,234 | 117,881 | 832,413 | 950,294 |
| 23 | | | | | | | | | | |
| 24 | Excess/(Deficiency) | 1,186,611 | (2,138,540) | (951,929) | 1,068,730 | (2,477,416) | (1,408,686) | (117,881) | (338,876) | (456,757) |
| 25 | | | | | | | | | | |
| 26 | Other Financing Sources/uses | | | | | | | | | |
| 27 | Transfers In | 77,000 | | 77,000 | 77,000 | | 77,000 | - | - | - |
| 28 | Transfers Out | | 165,000 | 165,000 | | 165,000 | 165,000 | - | - | - |
| 29 | Other Sources | | | - | | | - | - | - | - |
| 30 | Other Uses | | | - | | | - | - | - | - |
| 31 | Contributions | (2,078,540) | 2,078,540 | - | (1,558,419) | 1,558,419 | - | 520,121 | (520,121) | - |
| 32 | Total Other Sources/Uses | (2,001,540) | 1,913,540 | (88,000) | (1,481,419) | 1,393,419 | (88,000) | 520,121 | (520,121) | - |
| 33 | | | | | | | | | | |
| 34 | Net Inc/Dcr to Fund Balance | (814,929) | (225,000) | (1,039,929) | (412,689) | (1,083,997) | (1,496,686) | 402,240 | (858,997) | (456,757) |
| 35 | | | | | | | | | | |
| 36 | Beginning Balance | 2,739,770 | 1,914,884 | 4,654,654 | 2,739,770 | 1,914,884 | 4,654,654 | - | - | - |
| 37 | Audit Adjustment | | | | | | | | | |
| 38 | Ending Balance | 1,924,841 | 1,689,884 | 3,614,725 | 2,327,081 | 830,887 | 3,157,968 | 402,240 | (858,997) | (456,757) |
| 39 | | | | 601,836 | | | | | | |
| 40 | Components of Ending Fund Balance | | | | | | | | | |
| 41 | Revolving Cash | 10,000 | | 10,000 | 10,000 | | 10,000 | - | - | - |
| 42 | Stores | | | - | 26,000 | | 26,000 | 26,000 | - | 26,000 |
| 43 | Prepaid Expend. | | | - | | | - | - | - | - |
| 44 | Reserve for Economic Uncertainty | 1,048,078 | | 1,048,078 | 1,040,587 | | 1,040,587 | (7,491) | - | (7,491) |
| 45 | Other restricted | 604,359 | 1,481,049 | 2,085,408 | 1,207,491 | 830,887 | 2,038,378 | 603,132 | (650,162) | (47,030) |
| 46 | Undesignated | 262,404 | | 262,404 | 43,003 | | 43,003 | (219,401) | - | (219,401) |
| 47 | Total | 1,924,841 | 1,481,049 | 3,405,890 | 2,327,081 | 830,887 | 3,157,968 | 402,240 | (650,162) | (247,922) |
| 48 | % EUR | | | 3.00% | | | 2.90% | | | |

Change in Unrestricted? Does it make sense?

| 1 2 | | Adopted Budget Unrestricted | Changes in Financial Position | | | | 1st Interim Unrestricted | Change |
|--------|-------------------------------------|-----------------------------------|--|---------------------------|---|---|-----------------------------|--------|
| | | | Increase to expend - came from undesignated | Change in undesignated | Reduction to maint expenditure on rest. side- savings put in locally rest. | moved some undesignated to restricted | | |
| 3 | | | | | | | | |
| 4 | Total Revenue | 25,181,316 | | | | 25,181,316 | - | |
| 5 | Transfers In | 77,000 | | | | 77,000 | - | |
| 6 | Total Income | 25,258,316 | | | | 25,258,316 | - | |
| 7 | | | | | | - | - | |
| 8 | Total Expenditures | 23,994,705 | 117,881 | | | 24,112,586 | 117,881 | |
| 9 | Contributions to Rest | 2,078,540 | | | (520,121) | 1,558,419 | (520,121) | |
| 10 | Total Other Sources/Uses | 26,073,245 | | | | 25,671,005 | (402,240) | |
| 11 | | | | | | | - | |
| 12 | Net Inc/Dcr to Fund Balance | (814,929) | | | | (412,689) | 402,240 | |
| 13 | | | | | | | - | |
| 14 | Beg. Balance (adjusted for actuals) | 2,739,770 | | | | 2,739,770 | - | |
| 15 | Ending Balance | 1,924,841 | | | | 2,327,081 | 402,240 | |
| 16 | | | | | | | | |
| 17 | Components of Ending Fund Balance | | | | | | - | |
| 18 | Revolving Cash | 10,000 | | | | 10,000 | - | |
| 19 | Stores | 26,000 | | | | 26,000 | - | |
| 20 | Prepaid Expend. | | | | | - | - | |
| 21 | Reserve/ Economic Uncertainty | 1,048,078 | | (7,491) | | 1,040,587 | (7,491) | |
| 22 | Other restricted | 604,359 | | | 520,121 | 1,207,491 | 603,132 | |
| 23 | Undesignated | 236,404 | (117,881) | 7,491 | | 43,003 | (193,401) | |
| 24 | Total | 1,924,841 | - | - | - | 2,327,081 | 402,240 | |

Change in Restricted – does it make sense?

| 1 | | Rest. Adopted Budget | Changes in Financial position | | | 1st Interim Restricted | Change |
|----|-------------------------------------|----------------------|-------------------------------|------------------|--------------------------|------------------------|------------------|
| 2 | | | | | | | |
| 3 | | Restricted | Budget Deferred Income | Budget Carryover | Reduce Maint expenditure | | |
| 4 | Total Revenue | 8,637,695 | 493,537 | | | 9,131,232 | 493,537 |
| 5 | Transfers In | | | | | - | - |
| 6 | Total Income | 8,637,695 | | | | 9,131,232 | 493,537 |
| 7 | | | | | | - | - |
| 8 | Total Expenditures | 10,776,235 | 493,537 | 858,997 | (520,121) | 11,608,648 | 832,413 |
| 9 | transfer out | 165,000 | | | | 165,000 | |
| 10 | Contributions to Rest | (2,078,540) | | | 520,121 | (1,558,419) | 520,121 |
| 11 | Total Other Sources/Uses | 8,862,695 | | | | 10,215,229 | 1,352,534 |
| 12 | | | | | | | - |
| 13 | Net Inc/Dcr to Fund Balance | (225,000) | | | | (1,083,997) | (858,997) |
| 14 | | | | | | | - |
| 15 | Beg. Balance (adjusted for actuals) | 1,914,884 | | | | 1,914,884 | - |
| 16 | Ending Balance | 1,689,884 | | | | 830,887 | (858,997) |
| 17 | | | | | | | |
| 18 | Components of Ending Fund Balance | | | | | | - |
| 19 | Revolving Cash | | | | | - | - |
| 20 | Stores | | | | | - | - |
| 21 | Prepaid Expend. | | | | | - | - |
| 22 | Reserve/ Economic Uncertainty | | | | | - | - |
| 23 | Legally restricted | 1,689,884 | | (858,997) | | 830,887 | (858,997) |
| 24 | Undesignated | | | | | - | - |
| 25 | Total | 1,689,884 | | - | - | 830,887 | (858,997) |

Restricted

- To read the restricted side of the financial statement you must understand the treatment of deferred income and restricted ending balance “carryover”

**Deferred Income
or Carryover
(as if school finance were not
complicated enough!)**

Carryover Defined

- Carryover is a term that applies to money not spent in the current year.
- Carryover can be for local sources of revenue or state/ federal categorical funds
- For categorical programs, carryover is treated in two different ways
 - Grants are subject to deferred revenue.
 - Entitlements do not defer revenue but the carryover is a restricted ending balance.

| | | Prior Year | | |
|----|--------------------------------------|---------------------------|------------------------|------------------------|
| | | ACTUAL BEFORE Adjustments | Deferred Income Adjust | Final Reported Actuals |
| 1 | District A has RL Income of | 1,000,000 | | 1,000,000 |
| 2 | State Grant | 100,000 | (20,000) | 80,000 |
| 3 | Instructional Materials \$ | 50,000 | | 50,000 |
| 4 | Local donation- future playground | 1,000 | | 1,000 |
| 5 | Total Income | 1,151,000 | (20,000) | 1,131,000 |
| 6 | Expenditures: | | | |
| 7 | General Fund Expenditure | 900,000 | | 900,000 |
| 8 | State Grant | 80,000 | | 80,000 |
| 9 | Instructional Materials Expenditures | 10,000 | | 10,000 |
| 10 | Local contribution expenditure | - | | |
| 11 | Total Expenditures | 990,000 | - | 990,000 |
| 11 | Income less Expenditures | 161,000 | | 141,000 |
| 12 | Beginning Balance | 500,000 | | 500,000 |
| 13 | Ending Balance | 661,000 | | 641,000 |
| 14 | Restricted Balances: | | | |
| 15 | State Grant | 20,000 | | |
| 16 | Instructional Materials | 40,000 | | 40,000 |
| 17 | Restricted - Local Donations | 1,000 | | 1,000 |
| 18 | Balance = Unrestricted | 600,000 | | 600,000 |
| 19 | Total | 661,000 | - | 641,000 |
| 20 | | | | |
| 21 | | | | |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |

Note: \$41,000 in ending balance to be spent next year.

Note: \$20,000 reduction in ending balance. To be counted as income in next year

Prior Year Carryover and Deferred Income incorporated in Current Year First Interim Budget

| | | Current Year | | |
|----|-----------------------------------|------------------------|-----------------|---|
| | | Budget NO Carryover | Adjustments | First Interim - incorporating carryover |
| 1 | District A has RL Income of | 1,000,000 | | 1,000,000 |
| 2 | State Grant | 100,000 | 20,000 | 120,000 |
| 3 | Instructional Materials \$ | 50,000 | | 50,000 |
| 4 | Local donation- future playground | | | |
| 5 | Total Income | 1,150,000 | 20,000 | 1,170,000 |
| 6 | Expenditures: | | | |
| 7 | General Fund Expenditure | 1,000,000 | | 1,000,000 |
| 8 | State Grant | 100,000 | 20,000 | 120,000 |
| 9 | Instructional Materials Exper | 50,000 | 40,000 | 90,000 |
| 10 | Local contribution expenditure | | 1,000 | 1,000 |
| 11 | Total Expenditures | 1,150,000 | 61,000 | 1,211,000 |
| 11 | Income less Expenditures | - | (41,000) | (41,000) |
| 12 | Updated Beg. Balance | 641,000 | | 641,000 |
| 13 | Ending Balance | 641,000 | | 600,000 |
| 14 | Restricted Balances: | | | |
| 15 | State Grant | - | | |
| 16 | Instructional Materials | 40,000 | (40,000) | - |
| 17 | Restricted - Local Donations | 1,000 | (1,000) | - |
| 18 | Balance = Unrestricted | 600,000 | | 600,000 |
| | Total | 641,000 | (41,000) | 600,000 |

SIP increased by deferred income

No change to Inst. Mat or Local Income

State Grant expenditures now match income available

Inst. Materials budget now reflects \$40,000 from restricted ending balance

Donation from restricted ending balance reflected in budget

Final Result – comparison of final last year data to this year’s updated First Interim

| | | Prior Year | Current Year | | |
|----|-------------------------------------|------------------------|---|-----------|--------|
| | | Final Reported Actuals | First Interim - incorporating carryover | Variance | |
| 1 | District A has RL Income of | 1,000,000 | 1,000,000 | - | |
| 2 | State Grant | 80,000 | 120,000 | 40,000 | |
| 3 | Instructional Materials \$ | 50,000 | 50,000 | - | |
| 4 | Local donation- future playground | 1,000 | - | (1,000) | |
| 5 | Total Income | 1,131,000 | 1,170,000 | 39,000 | 3.45% |
| 6 | Expenditures: | - | - | - | |
| 7 | General Fund Expenditure | 900,000 | 1,000,000 | 100,000 | |
| 8 | State Grant | 80,000 | 120,000 | 40,000 | |
| 9 | Instructional Materials Expenditure | 10,000 | 90,000 | 80,000 | |
| 10 | Local contribution expenditure | - | 1,000 | 1,000 | |
| 11 | Total Expenditures | 990,000 | 1,211,000 | 221,000 | 22.32% |
| 11 | Income less Expenditures | 141,000 | (41,000) | (182,000) | |
| 12 | Beginning Balance | 500,000 | 641,000 | 141,000 | |
| 13 | Ending Balance | 641,000 | 600,000 | (41,000) | |
| 14 | Restricted Balances: | | | | |
| 15 | State Grant | - | - | - | |
| 16 | Instructional Materials | 40,000 | - | (40,000) | |
| 17 | Restricted - Local Donations | 1,000 | - | (1,000) | |
| 18 | Balance = Unrestricted | 600,000 | 600,000 | - | |
| | Total | 641,000 | 600,000 | (41,000) | |

State grant increased by deferred income

State grant expenditures now match income available

Inst. Materials budget now reflects \$40,000 from restricted ending balance

Donation from restricted ending balance reflected in budget

Problem:

□ During your board presentation of first interim – someone asks why prior year State Grant Income was \$80,000 and this year it is \$120,000? We obviously had a \$40,000 increase in State Grant income and can afford now to hire two new aides.

□ Your Answer?

- ❑ We have an ongoing income source of \$100,000 per year
- ❑ Prior Year income was \$100,000 but is reflected on the books at \$80,000 since \$20,000 was unspent.
- ❑ Current Year income is \$100,000 PLUS \$20,000 in one time money from the prior year.
- ❑ It is available for expenditure, but prudent budgeting means that we allocate one time dollars for one time uses

| | PY | CY | Change |
|--------------------|----------|---------|----------|
| State Grant Income | 100,000 | 100,000 | - |
| unspent funds | (20,000) | 20,000 | (40,000) |
| Income | 80,000 | 120,000 | (40,000) |
| | | | |
| Expenditures | 80,000 | 120,000 | (40,000) |

Problem:

- An irate bargaining union member asks:**
- How can you have a 3.45% increase in income and 22% increase in expenditures (\$221,000 increase)? The board obviously has money to spend on everything but salaries for employees.**

▪ Your Answer?

One Answer

- ❑ In order to properly compare financial data from one reporting period to the next, you get the most accurate picture by comparing unrestricted data.
- ❑ Unrestricted expenditures only increased \$100,000
- ❑ Restricted data increases and decreases significantly based on changes in categorical funding and by the impact of budgeting deferred income and carryover.

| | | 2003-04 | | | 2004-05 | | | Change | | |
|----|-------------------------------------|-----------|---------|-----------|-----------|----------|-----------|-------------------|----------------|--------------|
| | | Unrest. | Rest. | Total | Unrest. | Rest. | Total | Change in Unrest. | Change In Rest | Total Change |
| 1 | Revenue Limit Income | 1,000,000 | 131,000 | 1,131,000 | 1,000,000 | 170,000 | 1,170,000 | - | 39,000 | 39,000 |
| 2 | Expenditures | 900,000 | 90,000 | 990,000 | 1,000,000 | 211,000 | 1,211,000 | 100,000 | 121,000 | 221,000 |
| 3 | Income less Expenditures | 100,000 | 41,000 | 141,000 | - | (41,000) | (41,000) | (100,000) | (82,000) | (182,000) |
| | | | | - | | | - | - | - | - |
| 4 | Beginning Balance | 500,000 | | 500,000 | 600,000 | 41,000 | 641,000 | 100,000 | 41,000 | 141,000 |
| 5 | Ending Balance | 600,000 | 41,000 | 641,000 | 600,000 | - | 600,000 | - | (41,000) | (41,000) |
| 6 | Ending Balance Detail | | | | | | | | | |
| 7 | 5% Reserve for Economic Uncertainty | 49,500 | | 49,500 | 60,550 | | 60,550 | 11,050 | - | 11,050 |
| 8 | Instructional Materials | | 40,000 | 40,000 | - | | - | - | (40,000) | (40,000) |
| 9 | Restricted - Local Donations | | 1,000 | 1,000 | - | | - | - | (1,000) | (1,000) |
| 10 | Locally Restricted | 500,000 | | 500,000 | 500,000 | | 500,000 | | | |
| 11 | Unrestricted | 50,500 | - | 50,500 | 39,450 | - | 39,450 | (11,050) | - | (11,050) |
| 12 | Total | 600,000 | 41,000 | 641,000 | 600,000 | - | 600,000 | - | (41,000) | (41,000) |

Problem:

□ A board member asks why it is that they adopted a balanced budget. Income = Expenditures. Our first interim now shows we are deficit spending by \$41,000. We all know that deficit spending is WRONG. Therefore, how can we approve this budget?

▪ Your Answer?

One Answer

- ❑ The “true” operating deficit is still -0-
- ❑ Unrestricted income less unrestricted expenditure is balanced
- ❑ The \$41,000 negative income/expenditure variance relates to the planned use of prior year restricted monies

| | | Current Year Budget | | |
|----|-------------------------------------|---------------------|----------|-----------|
| | | Unrest. | Rest. | Total |
| 1 | Revenue Limit Income | 1,000,000 | 170,000 | 1,170,000 |
| 2 | Expenditures | 1,000,000 | 211,000 | 1,211,000 |
| 3 | Income less Expenditures | - | (41,000) | (41,000) |
| | | | | - |
| 4 | Beginning Balance | 600,000 | 41,000 | 641,000 |
| 5 | Ending Balance | 600,000 | - | 600,000 |
| 6 | Ending Balance Detail | | | |
| 7 | 5% Reserve for Economic Uncertainty | 60,550 | | 60,550 |
| 8 | Instructional Materials | - | | - |
| 9 | Restricted - Local Donations | - | | - |
| 10 | Locally Restricted | 500,000 | | 500,000 |
| 11 | Unrestricted | 39,450 | - | 39,450 |
| 12 | Total | 600,000 | - | 600,000 |

More Financial Review The Year End Analysis Tool

Year End Analysis

How did our actuals compare to our June projection?

As year end closing occurs in July/August, the CBO and Director of Fiscal Services should be waiting with bated breath for the results of closing...answering that critical question....How close to budget were we?

Sample attached

What are the critical elements that you see in the attached analysis?

| 3 | June Budget Update to Board | | | Actuals as of 6/30/04 | | | Unrestricted Variance | Restricted variance | |
|----|--|--------------------|--------------------|-----------------------|--------------------|--------------------|-----------------------|---------------------|--------------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total | | | |
| 4 | | | | | | | | | |
| 5 | | | | | | | | | |
| 6 | Revenue Detail | | | | | | | | |
| 7 | Revenue Limit | 22,665,889 | 850,000 | 23,515,889 | 22,676,200 | 954,393 | 23,630,593 | 10,311 | 104,393 |
| 8 | Federal Revenue | 250,812 | 2,789,701 | 3,040,513 | 239,132 | 2,404,357 | 2,643,489 | (11,680) | (385,344) |
| 9 | Other State Revenue | 2,135,953 | 5,420,926 | 7,556,879 | 1,998,917 | 5,195,346 | 7,194,263 | (137,036) | (225,580) |
| 10 | Other Local Revenue | 302,487 | 474,653 | 777,140 | 526,405 | 474,831 | 1,001,236 | 223,918 | 178 |
| 11 | Total Revenue | 25,355,141 | 9,535,280 | 34,890,421 | 25,440,654 | 9,028,927 | 34,469,581 | 85,513 | (506,353) |
| 12 | | | | | | | | | |
| 13 | Expenditure Detail | | | | | | | | |
| 14 | Certificated | 13,715,734 | 4,143,609 | 17,859,343 | 13,626,953 | 4,116,119 | 17,743,072 | (88,781) | (27,490) |
| 15 | Classified | 2,797,376 | 2,610,192 | 5,407,568 | 2,873,480 | 2,368,098 | 5,241,578 | 76,104 | (242,094) |
| 16 | Employee benefits | 5,363,688 | 2,035,152 | 7,398,840 | 5,230,846 | 1,899,771 | 7,130,617 | (132,842) | (135,381) |
| 17 | Books & Supplies | 467,155 | 2,083,894 | 2,551,049 | 409,288 | 1,172,881 | 1,582,169 | (57,867) | (911,013) |
| 18 | Service, Other Operating | 2,037,694 | 579,115 | 2,616,809 | 2,029,477 | 465,312 | 2,494,789 | (8,217) | (113,803) |
| 19 | Capital Outlay | 2,518 | 404,938 | 407,456 | 1,319 | 135,376 | 136,695 | (1,199) | (269,562) |
| 20 | Other Outgo | 110,179 | 611,369 | 721,548 | 110,179 | 606,539 | 716,718 | (0) | (4,830) |
| 21 | Direct Support/Indirect | (78,965) | 78,965 | - | (78,965) | 78,965 | - | - | - |
| 22 | Total Expenditures | 24,415,379 | 12,547,234 | 36,962,613 | 24,202,577 | 10,843,061 | 35,045,638 | (212,802) | (1,704,173) |
| 23 | | | | | | | | | |
| 24 | Excess/(Deficiency) | 939,762 | (3,011,954) | (2,072,192) | 1,238,077 | (1,814,134) | (576,057) | 298,315 | 1,197,820 |
| 25 | | | | | | | | | |
| 26 | Other Financing Sources/uses | | | | | | | | |
| 27 | Transfers In | 77,000 | - | 77,000 | 74,411 | - | 74,411 | (2,589) | - |
| 28 | Transfers Out | 435,000 | 165,000 | 600,000 | 609,680 | 274,945 | 884,625 | 174,680 | 109,945 |
| 29 | Other Sources | - | - | - | - | - | - | - | - |
| 30 | Other Uses | - | - | - | - | - | - | - | - |
| 31 | Contributions | (1,613,983) | 1,613,983 | - | (844,967) | 844,967 | - | 769,016 | (769,016) |
| 32 | Total Other Sources/Uses | (1,971,983) | 1,448,983 | (523,000) | (1,380,236) | 570,022 | (810,214) | 591,747 | (878,961) |
| 33 | | | | | | | | | |
| 34 | Net Inc/Dcr to Fund Balance | (1,032,221) | (1,562,971) | (2,595,192) | (142,159) | (1,244,112) | (1,386,271) | 890,062 | 318,859 |
| 35 | | | | | | | | | |
| 36 | Beginning Balance | 2,739,770 | 1,914,884 | 4,654,654 | 2,739,770 | 1,914,884 | 4,654,654 | - | (0) |
| 37 | Audit Adjustment | 67,685 | 97,254 | 67,685 | 67,685 | 97,254 | 164,939 | - | - |
| 38 | Ending Balance | 1,775,234 | 449,167 | 2,059,462 | 2,665,296 | 768,026 | 3,433,321 | 890,062 | 318,859 |
| 39 | | | | | | | | | |
| 40 | Components of Ending Fund Balance | | | | | | | | |
| 41 | Revolving Cash | 10,000 | | 10,000 | 10,000 | - | 10,000 | - | - |
| 42 | Stores | 25,628 | | 25,628 | 22,609 | - | 22,609 | (3,019) | - |
| 43 | Prepaid Expend. | 6,614 | | 6,614 | 313,048 | - | 313,048 | 306,434 | - |
| 44 | Reserve for Economic Uncertainty | 1,116,799 | | 1,116,799 | 1,077,908 | - | 1,077,908 | (38,891) | - |
| 45 | Other Designations | 616,193 | 449,167 | 1,065,360 | 333,225 | 768,026 | 1,101,251 | (282,968) | 318,859 |
| 46 | Undesignated | | | | 908,506 | | 908,506 | | |
| 47 | Total | 1,775,234 | 449,167 | 2,224,401 | 2,665,296 | 768,026 | 3,433,322 | 890,062 | 318,859 |
| 48 | % EUR | | | 2.97% | | | 3.00% | | |

End of Year Review

And another sample for your review?

Anything jump out at you?

| 2 | b | f | g | h | i | j | k | l | m | n |
|----|--|-----------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|------------------------------|----------------------------|-----------------------|
| 3 | | June Budget Update to Board | | | Unaudited Actuals | | | | | |
| 4 | | b | Restricted | Total | Unrestricted | Restricted | Estimated Total | unrestricted Variance i-f | Restricted Variance j-g | Total Variance k-h |
| 5 | | | | | | | | | | |
| 6 | Revenue Detail | | | | | | | | | |
| 7 | Revenue Limit | 20,598,923 | 447,029 | 21,045,952 | 20,688,295 | 429,953 | 21,118,248 | 89,372 | (17,076) | 72,296 |
| 8 | Federal Revenue | 267,559 | 2,999,267 | 3,266,826 | 326,683 | 2,586,475 | 2,913,158 | 59,124 | (412,792) | (353,668) |
| 9 | Other State Revenue | 5,130,227 | 3,100,003 | 8,230,230 | 2,299,514 | 2,327,799 | 4,627,313 | (2,830,713) | (772,204) | (3,602,917) |
| 10 | Other Local Revenue | 2,150,458 | 2,088,467 | 4,238,925 | 543,335 | 2,159,883 | 2,703,218 | (1,607,123) | 71,416 | (1,535,707) |
| 11 | Total Revenue | 28,147,167 | 8,634,766 | 36,781,933 | 23,857,827 | 7,504,110 | 31,361,937 | (4,289,340) | (1,130,656) | (5,419,996) |
| 12 | | | | | | | | | | |
| 13 | Expenditure Detail | | | | | | | | | |
| 14 | Certificated | 13,545,507 | 3,101,283 | 16,646,790 | 12,984,706 | 2,965,857 | 15,950,563 | (560,801) | (135,426) | (696,227) |
| 15 | Classified | 2,275,292 | 2,233,579 | 4,508,871 | 2,161,445 | 2,126,019 | 4,287,464 | (113,847) | (107,560) | (221,407) |
| 16 | Employee benefits | 3,761,509 | 1,505,276 | 5,266,785 | 3,562,761 | 1,391,086 | 4,953,847 | (198,748) | (114,190) | (312,938) |
| 17 | Books & Supplies | 2,201,795 | 2,067,451 | 4,269,246 | 606,792 | 1,142,732 | 1,749,524 | (1,595,003) | (924,719) | (2,519,722) |
| 18 | Service, Other Operating | 1,918,711 | 1,446,114 | 3,364,825 | 1,591,637 | 1,202,401 | 2,794,038 | (327,074) | (243,713) | (570,787) |
| 19 | Capital Outlay | 218,677 | 56,970 | 275,647 | 119,986 | 40,901 | 160,887 | (98,691) | (16,069) | (114,760) |
| 20 | Other Outgo | 205,000 | - | 205,000 | 199,370 | 34,054 | 233,424 | (5,630) | 34,054 | 28,424 |
| 21 | Direct Support/Indirect | (286,080) | 187,104 | (98,976) | (296,827) | 196,349 | (100,478) | (10,747) | 9,245 | (1,502) |
| 22 | Total Expenditures | 23,840,411 | 10,597,777 | 34,438,188 | 20,929,870 | 9,099,399 | 30,029,269 | (2,910,541) | (1,498,378) | (4,408,919) |
| 23 | | | | | | | | | | |
| 24 | Excess/(Deficiency) | 4,306,756 | (1,963,011) | 2,343,745 | 2,927,957 | (1,595,289) | 1,332,668 | (1,378,799) | 367,722 | (1,011,077) |
| 25 | | | | | | | | | | |
| 26 | Other Financing Sources/uses | | | | | | | | | |
| 27 | Transfers In | - | - | - | - | - | - | - | - | - |
| 28 | Transfers Out | 222,840 | - | 222,840 | 171,240 | - | 171,240 | (51,600) | - | (51,600) |
| 29 | Other Sources | - | - | - | - | - | - | - | - | - |
| 30 | Other Uses | - | - | - | - | - | - | - | - | - |
| 31 | Contributions | (1,788,717) | 1,788,717 | - | (1,522,994) | 1,522,994 | - | 265,723 | (265,723) | - |
| 32 | Total Other Sources/Uses | (2,011,557) | 1,788,717 | (222,840) | (1,694,234) | 1,522,994 | (171,240) | 317,323 | (265,723) | 51,600 |
| 33 | | | | | | | | | | |
| 34 | Net Inc/Dcr to Fund Balance | 2,295,199 | (174,294) | 2,120,905 | 1,233,723 | (72,295) | 1,161,428 | (1,061,476) | 101,999 | (959,477) |
| 35 | | | | | | | | | | |
| 36 | Beginning Balance | 3,527,842 | 1,345,506 | 4,873,348 | 3,527,842 | 1,345,506 | 4,873,348 | - | - | - |
| 37 | Ending Balance | 5,823,041 | 1,171,212 | 6,994,253 | 4,761,563 | 1,273,211 | 6,034,776 | (1,061,476) | 101,999 | (959,477) |
| 38 | | | | | | | | | | |
| 39 | Components of Ending Fund Balance | | | | | | | | | |
| 40 | Revolving Cash | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 | - | - | - |
| 41 | Stores | 105,000 | 0 | 105,000 | 112,718 | 0 | 112,718 | 7,718 | - | 7,718 |
| 42 | Prepaid Expend. | - | 0 | - | - | 0 | - | - | - | - |
| 43 | Reserve for Economic Uncertainty | 1,386,441 | 0 | 1,386,441 | 906,015 | - | 906,015 | (480,426) | - | (480,426) |
| 44 | Other restricted* | - | - | - | - | - | - | - | - | - |
| 45 | Undesignated | 4,321,600 | 1,171,212 | 5,492,812 | 3,732,830 | 1,273,211 | 5,006,041 | (588,770) | 101,999 | (486,771) |
| 46 | Total | 5,823,041 | 1,171,212 | 6,994,253 | 4,761,563 | 1,273,211 | 6,034,774 | (1,061,478) | 101,999 | (959,479) |
| | % EUR | | | 4.00% | | | 3.00% | | | |

Explanation Provided

OTHER STATE REVENUE 8434

When the CSR apportionment was posted into the system by the County Office, they posted it to the resource 1300 (Class Size Reduction) which is a LEA optional resource. xxx District does not use the 1300 resource but uses the alternative resource 0000 (Unrestricted Resources). Therefore, the General Fund showed a negative balance in our District's Accounting software under the 0000 resource. The resource 1300 allocation was moved to resource 0000 in order for the amount to be included in the components of the general fund ending balance. In doing this transfer, the CSR revenue was posted incorrectly and a duplicate posting of the CSR revenue was done. The technical review did not address the 1300 accounts therefore missed the fact that CSR funds were posted in two resources.

The difference in the amounts based on Estimated Actuals and Unaudited Actuals is the Resource 1300 apportionment that was not removed from the budget side when the estimated actuals were done. It was also included in the budget side of resource 0000 at that time. **This does inflate the allocation.** Upon completion of Unaudited Actuals the correction to the resource 1300 was made.

More Explanations

❑ 0401 0403 0404 0405 0426

The revenues for these resources were originally recorded in the general fund resource of 0000. The expenditures were recorded under the basic resource numbers (0401, 0403 0404, and 0405). At year end, the revenue had to match the expenditures, therefore, the revenue amounts for each resource were transferred to the proper accounts. The monthly reports were not audited and as expenditures occurred revenues were not reduced which inflated the variance.

OTHER LOCAL REVENUE

The Board approved an 8% estimate for the ending balance. The theory is that our ending balance would be at least 8% of our budget for 04-05 and that this amount would be budgeted. The amount of \$1,500,000 was included in the budget to bring our ending balance up to that amount. This amount was included in the Other Local Revenue. It may have been more appropriate to show the 8% on an ending balance or designated line item and not a revenue line.

The moral of the story..

- These explanations are scarier than the financial statements.
- The district had sufficient reserves – but the variances and subsequent explanations illustrate that there are major system failures.
- System failures such as these lead to fiscal crisis.

p.s. Crisis averted! District took immediate corrective action.

Systems Check

- Do you have a five year history that compares your June budget estimate to end of year actuals?
- What does that history tell you?
- Focus on the unrestricted changes in your review.
- We expect to see restricted changes as we typically budget income and matching expenditures and if we don't spend restricted funds, they are carried over.
- Are your salary and benefit projections on target?
- Is your unrestricted carryover significantly higher or lower than expected? Can you analyze why?

**Additional Information on Budgets,
Multi Year, Collective Bargaining
Disclosure**

Elements of Financial Reports to Board

- Financial Summary/Budget Document
 - Locally developed format
 - Contains Assumptions and Narrative

- Multi-Year Projection
 - State format or district developed

- Board Certification
 - Finding of Positive, Qualified, Negative

- Official SACS forms (state required reporting format)
- CASH Flow worksheets for first and 2nd interim**

Another Reporting Requirement

- Collective Bargaining Disclosure information that goes to board**
- Must also go to county office**
- If qualified district, COE must review and comment BEFORE board action**
- Requires Superintendent and CBO to certify the district can afford the settlement**

Multi-Year Projection

- Know where the district will be financially in current and next two few years
- Basis for critical decision making
- Identify potential deficits/encroachments
- Enable district to provide ongoing educational programs
- Help develop negotiating strategies
- Incorporate enrollment and staffing projections
- Indicate assumptions

Multi-Year Projections

- Beware of:
 - Predicting terrible conditions that never occur
 - Overly conservative assumptions
 - Overly optimistic assumptions
 - Projections on unsound assumptions

Appendix

Detail on other Funds

Appendix

Governmental Funds - Special Revenue Funds

Special Revenue Funds

- Special Revenue funds are established to account for the proceeds from specific resources, which by law are restricted to the financing of particular activities

Adult Education Fund

- Expenditure only for adult education
- (EC 52616[b] and 52501)
- Direct costs, direct support and indirect as defined in EC 52616



Child Development Fund

- Federal, state, and local revenue to operate child development programs
- Expenditures for operation of a child development program (EC 8328)
- Child development programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges to users should be accounted for in an Enterprise Fund

Governmental Funds - Special Revenue Funds

Charter Schools Fund

- Used to report separately the activities of those charter schools not included in the General Fund

Cafeteria Fund (Account)

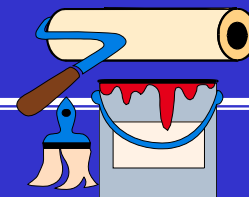
- Federal, state, and local revenue to operate food service program
- **EXCEPTION** - May also be cafeteria account - in separate bank account - not county treasury
- Direct costs and direct support. Indirect limited lesser of PY indirect cost rate or statewide average approved indirect cost for the second prior fiscal year
- May establish and maintain a cafeteria equipment reserve



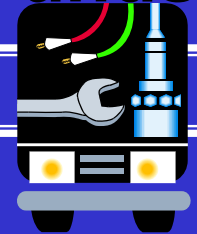
Governmental Funds - Special Revenue Funds

☐ Deferred Maintenance Fund (EC 17582-17587)

- State apportionment and LEAs contributions
- 1/2 of 1% of LEA general fund = state match
- Rarely fully funded
- Expenditures for major repairs or replacements
- Five Year deferred maintenance plan required
- Update yearly
- Check each year to make sure expenditures from this fund are included in the five year plan
- Expenditures must meet specified criteria - e.g., Painting - xx years from the last repainting. Carpet - xx years from last replacement.



Governmental Funds - Special Revenue Funds



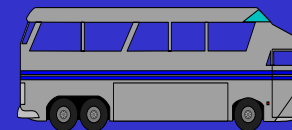
www.csbix.com

Pupil Transportation Equipment Fund (optional)

- *Education Code Section 41852[b]*
- State and local revenue for acquisition, rehabilitation or replacement of equipment used to transport students
- May also be kept in general fund

School Bus Emissions Reduction

- (EC 17920-17926)
- Purchase or lease of new low or zero emission school busses or retrofitting of existing
- LEA contributes more than 50%



Governmental Funds - Special Revenue Funds

Forest Reserve Fund (county offices)

- County office receives \$
- Pass-through fund
- Funds deposit into this fund - then transfer to LEAs

Explanation of Forest Reserve monies

- Originally, money from timber harvest in national forest
- 25% of gross revenue returns to county where national forest is located. e.g., El Dorado National Forest covers several counties - 73% is in El Dorado County, therefore 73% of 25% gross revenue is returned to the county.
- The revenue in the county is divided 50% to schools and 50% to roads.
- However, when funds declined, federal formula put in place a guaranteed funding level equal to three-year average.



Governmental Funds - Special Revenue Funds

Special Reserve fund for other than Capital Outlay (Optional)

- Primarily used to accumulate General Fund moneys for general operating purposes other than for capital outlay (*EC 42842*)
- Transfers must be made back to GF (or other fund) for expenditure

Foundation Special Revenue Fund

- Gifts or bequests pursuant to *EC 41031*
- Formal trust agreement with the donor (account for other types of donations in the General Fund)
- Expended only for the specific purposes of the gift or bequest (*EC 41032*)

Governmental Funds – Special Revenue Funds

Special Reserve Fund for Postemployment Benefits (optional, new for 2003-04)

- Amounts earmarked for future cost of retiree benefits but not contributed irrevocably to a separate trust
- Use optional, may also use GF or Special Reserve for Other than Capital Outlay
- Transfers must be made back to GF for expenditure
- No need to use if utilize “pay as you go” for retiree benefit costs

Governmental Funds - Capital Project Funds

Capital Project Funds

- Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities

Building Fund (EC15146)

- Proceeds from the sale of bonds
- Proceeds from sale of real property

Capital Facilities Fund

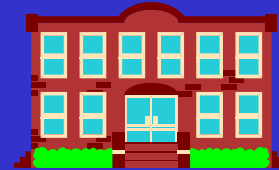
- Mira Fees. Fees levied on developers or other agencies as a condition for approving a development (grandfathered)
- SB 50 fees - Level 1 and Level 2
- Expenditures in the Capital Facilities Fund are restricted to the purposes specified in *Government Code* sections 65970–65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).



Governmental Funds - Capital Project Funds

State School Building Lease Purchase Fund (EC 17000-17080)

- Former state program for construction funds
- District match (usually developer fees)
- Expenditures for building/modernization



School Facility Fund (Prop 1A)

- New state building program (Includes modernization)

Special Reserve Fund for Capital Outlay (Optional) (EC42840)

- Accumulate general fund monies for capital outlay
- Proceeds from sale of real property
- Must be expended for capital outlay purposes
- ~~May expend directly from fund~~

Governmental Funds - Debt Service Funds

Debt Service

Bond Interest & Redemption Fund

- Repayment for bonds issued for an LEA. Proceeds deposited in the county treasury. County auditor controls this fund. Old and new bonds

Tax Override fund (old state issued bonds)

- Repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

Debt Service Fund

- Used for the accumulation of resources for and the retirement of principal and interest on general long term debts



Governmental Funds - Permanent Funds

Permanent Funds

- This governmental fund type was introduced as part of the governmental financial reporting model established by GASB Statement No. 34.

Foundation Permanent Fund

- account for resources received from gifts or bequests pursuant to *EC 41031* restricted to the extent that earnings, but not principal, may be used for purposes that support the LEA's own programs
- formal trust agreement with the donor
- expended only for the specific purposes of the gift or bequest

Proprietary Funds

Enterprise funds (Optional)

- Fund is financed and operated in a manner that is similar to that employed by private business enterprises - e.g., governing board intent that the cost of providing continues goods or services can be financed or recovered primarily through charge to users
- Full accrual basis - e.g., depreciation, recording of long term debt and long term obligations are recorded in the fund and not the account groups.

Internal Service Funds (Optional)

- Self insurance fund
 - e.g., Workers Compensation, health and welfare, deductible property loss
 - Generally intended to be self supporting

Warehouse Revolving Fund

- Budget control and stock accounting of warehouse merchandise

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs.

Trust Funds

Retiree Benefit Fund

- Irrevocable contributions to a retiree benefit plan for which a formal trust exists
- Transfer monies to fund current and future obligations.
- Expenditures can be made from the fund.

Foundation Private-Purpose Trust Fund

- Account separately for monies received from gifts and bequests under which neither principal nor income may be used for purposes that support the LEA's own programs
- Formal trust agreement with the donor

Recording General Fixed Assets

Capital (fixed) assets – e.g. building, land, furniture and equipment

- Meet useful life and monetary cost criteria and warrant capitalization
- Record fixed asset's cost, date of acquisition, and other details

Capital assets not reported in proprietary fund or trust fund are reported in government-wide statement of net assets

- Model established by GASB Statement 34
- Schedule of capital assets included in notes to the financial statements
- General Fixed Asset Account Group is eliminated under GASB 34

General Long Term Debt

- Account for the unmatured principal of long term indebtedness
- Outstanding bonds, long term notes payable, capital leases, long term liabilities for compensated absences
- Typically set up at year end as part of the preparation of financial statements
- Long-term liabilities are reported in government-wide statement of net assets
 - Model established by GASB Statement 34
 - Schedule of long-term debt included in notes to the financial statements
 - General Long-Term Debt Account Group is eliminated under GASB 34

Accounting Standards

The Department of Education recommends that accounting personnel be familiar with the principles and statements issued by the Governmental Accounting Standards Board (GASB), which is recognized nationally as the primary standard-setting body for governmental accounting. The principles and statements of the GASB are available in its publication *Codification of Governmental Accounting and Financial Reporting Standards*. This publication is available from:

Governmental Accounting Standards Board
P. O. Box 30784
Hartford, CT 06150
(203) 847-0700

Also, the Government Finance Officers Association publishes *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR), which provides detailed guidance in applying the principles and statements of the GASB. This publication is available from:

Government Finance Officers Association
180 North Michigan Avenue, Suite 800
Chicago, IL 60601
(312) 977-9700