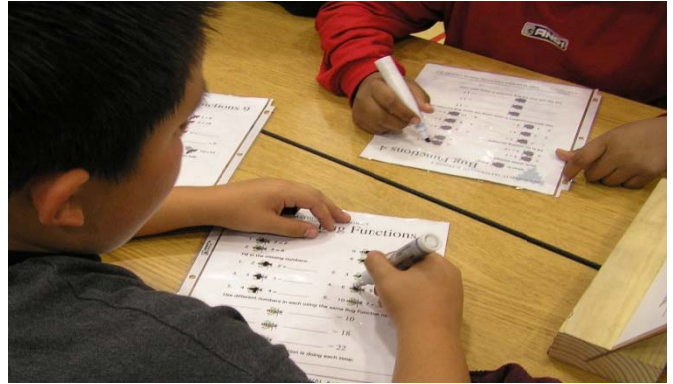




New Haven Unified School District



PROPOSED BUDGET

2014-2015

&

Multi-Year Projections:

2015-2016

2016-2017



Presented: June 17, 2014

NEW HAVEN UNIFIED SCHOOL DISTRICT
34200 Alvarado Niles Road
Union City, CA 94587

BOARD OF EDUCATION

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Interim Co-Superintendents
Akur Varadarajan
Arlando Smith

Director, Fiscal Services
Annette Heldman

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NEW HAVEN UNIFIED SCHOOL DISTRICT

OUR MISSION

NEW HAVEN UNIFIED SCHOOL DISTRICT

OUR MISSION

History and Background

New Haven Unified School District serves the residents of Union City, California, a richly diverse community of about 74,000. Eighteen square miles in area, it is in close proximity to Newark and Fremont and it's also just a short drive away to San Francisco and the Silicon Valley. Serving about 12,600 students, the District consists of seven elementary schools, two middle schools, one comprehensive high school, one independent study site, one continuation high school, and one Regional Occupational Program. In addition, the District offers limited federal funded programs through its Adult Education and operates seven child care centers through Kids First.

Governance

A Board of Education consisting of five members, whose responsibility is to represent the community in policy and decision making, governs the District. Regular board meetings are held at 7:30 in the evening every other Tuesday of the month at the Education Services Center. Parents and community members are welcome to attend these meetings.

Alongside the current Interim Co-Superintendents, Akur Varadarajan and Arlando Smith, the District has about 600 certificated and 400 classified employees assisting in the monumental task of overseeing District operations, delivery of educational programs, and upholding policies and decisions made by the Governing Board, in accordance to the District's mission.

The mission of the New Haven Unified School District, a partnership of students, families, staff and our richly diverse community, is to develop and empower EVERY student to a productive, responsible and successful global citizen by creating an exemplary, inclusive educational system characterized by a safe, caring learning environment and a challenging, comprehensive curriculum that ensures academic proficiency.

**PROPOSED BUDGET
2014-15
&
MULTI-YEAR PROJECTIONS
2015-16 & 2016-17**

PROPOSED BUDGET: 2014-15
Multi-Year Projections for:
2015-16
2016-17

INTRODUCTION

The State Education Code requires school districts to adopt a preliminary budget by July 1st of each year. Developing our annual operating budget is a vital process in the allocation of District's resources towards delivery of programs and services to our students and to our community.

The budget provides a framework for meeting the District's educational goals, and illustrates how resources are spread across schools and administrative offices based on the District's current operational and programmatic structure.

On May 13, 2014, the Governor released the 2014-15 May Revision to his annual budget proposal. In the absence of a state enacted budget, the May Revision is usually the last official budget proposal by the Governor. With that said, it is also the basis on which the District's proposed budget is created.

MAIN PRECEPTS OF THE GOVERNOR'S PROPOSED BUDGET

The State recognizes an increase of \$2.4 billion over projection in revenues. However, there are no new revenues for education beyond the January budget proposals, as the Governor intends to use most of this increase to fund the growth in the cost of Medi-Cal due to the Affordable Care Act (ACA), and the establishment of a Rainy Day Fund.

The District's Proposed Budget for 2014-15 parallels the vision and commitment that the Governor has for education services and for a stable financial future. In his May Revision, the Governor focuses on keeping his commitment to:

- Balance and stabilize the budget,
- Pay down debts,
- Tackle the growing unfunded liabilities in pension funds,
- Establish a Rainy Day Fund, and
- Provide more funding to education through the Local Control Funding Formula (LCFF).

LOCAL CONTROL FUNDING FORMULA (LCFF)

The Governor continues to resist any changes to the new funding structure. Consistent with his preliminary budget in January, the Governor proposes to close the funding gap for 2014-15 by 28%. Added to the 11.78% of the gap in 2013-14, LCFF would be over one-third of the way toward full implementation after the first two years.

The chart below shows NHUSD's revenue assumptions for 2014-15:

LCFF REVENUE ASSUMPTIONS FOR 2014-15	
Average Daily Attendance Projection	12,176.66
COLA	0.86%
LCFF Funding Rate to Meet Target Level	28.05%
Unduplicated Pupil %	55.85%

Using the revenue assumptions in the chart above, and the calculator developed by Fiscal Crisis Management and Assistance Team (FCMAT), the chart below shows revenue projections for 2014-15 under the LCFF:

LCFF TARGET REVENUE as of 2014/15 BUDGET ADOPTION						
COLA						0.860%
Unduplicated pupil count as % of Enrollment						55.88%
	ADA Projection	Base	Grade Span	Supplemental	Concentration	TARGET
Grades TK-3	3,624.73	\$7,012	\$729	\$865	\$33	\$31,314,042
Grades 4-6	2,709.91	\$7,117		\$795	\$30	\$21,522,105
Grades 7-8	1,896.19	\$7,328		\$819	\$31	\$15,507,042
Grades 9-12	3,945.83	\$8,491	\$221	\$973	\$37	\$38,361,359
TOTAL ADA	12,176.66					
TOTAL FUNDING		\$92,102,359	\$3,514,457	\$10,682,042	\$405,691	\$106,704,549
Add on: Targeted Instructional Improvement						\$220,053
Add on: Transportation						\$301,115
LOCAL CONTROL FUNDING FORMULA (LCFF) TARGET in 2020-21						\$107,225,717
LCFF PHASE-IN ENTITLEMENT for 2014/15						
LOCAL CONTROL FUNDING FORMULA TARGET						\$107,225,717
LOCAL CONTROL FUNDING FORMULA FLOOR						\$80,590,273
REMAINING FUNDING GAP						\$26,635,444
LCFF FUNDING RATE * FUNDING GAP						28.05% \$7,471,242
2014-15 LCFF FUNDING LEVEL						\$88,061,515
2014-15 LCFF REVENUE INCREASE OVER PRIOR YEAR						\$6,618,866

2014-15 PROPOSED BUDGET PROJECTIONS FOR 2015-16 AND 2016-17

As shown in the charts above, the District is projecting additional revenue under the LCFF for 2014-15 of approximately \$6.6 million. Of this amount, based on the recently developed calculation for Minimum Proportionality Percentage (MPP), \$800,000 is estimated for Supplemental/Concentration funding, leaving \$5.8 million for general purpose.

With this additional revenue, the District is assuming expenditure increases to the base budget that include: (1) full restoration of the 9 furlough days that are in effect in the current year, (2) automatic pay increases for step and column for all employees, (3) lower class sizes in grades K-3, (4) partial funding shift of Media Specialists and Instructional coaches from the Race to the Top – District Grant, (5) partial funding shift of Intervention Specialists from one-time Program Improvement funds, (6) incremental cost to support the sites with full-time Assistant Principals, and (7) other inflationary increases including water rate and property and liability insurance.

Negotiations with employee groups are currently taking place as of the time this document is being crafted, and at this point, it is important to note that while furlough days are fully restored and the Certificated work-year is back to 184 days, class sizes are lowered in grades K-3 as one of the top priorities that emerged on our District’s Local Control Accountability Plan (LCAP), and step and column increases for all employees are built in to the budget, the cost of health benefit increase is not.

With the above revenue and expenditure projections, the chart below shows a summary of the District’s General Fund. Over and above the 3% reserve in unrestricted funds, the District is projecting \$1.423m in undesignated fund balance. In the last two years, cost of Kaiser Family plan rose by 9.53% in 2012-13, and 11.08% in 2013-14. At 10% increase, staff is estimating the cost for health benefit to be an additional \$1.547m.

PROPOSED BUDGET FOR 2014-15			
GENERAL FUND	UNRESTRICTED	RESTRICTED	COMBINED
Revenues	\$91,458,754	\$27,720,085	\$119,178,839
Expenditures	(\$75,811,408)	(\$42,430,079)	(\$118,241,487)
Interfund Transfers	\$43,500	\$0	\$43,500
Other Sources	\$0	\$0	\$0
Other Uses	(\$80,000)	\$0	(\$80,000)
Contributions to Restricted Programs	(\$14,515,751)	\$14,515,751	\$0
Increase/Decrease to Fund Balance	\$1,095,095	(\$194,243)	\$900,852
Beginning Fund Balance	\$3,938,436	\$2,480,432	\$6,418,868
Ending Fund Balance	\$5,033,531	\$2,286,189	\$7,319,720
COMPONENTS OF ENDING FUND BALANCE			
Reserve for Revolving Account	\$50,000	\$0	\$50,000
Legally Restricted Balance	\$0	\$2,286,189	\$2,286,189
Reserve for Economic Uncertainties	\$3,560,000		\$3,560,000
Undesignated Fund Balance	\$1,423,531	\$0	\$1,423,531

Based on current LCFF revenue projections by the State Department of Finance, and assuming the sale of the Cabello site materializes, staff’s multi-year analysis shows positive ending balances in the Unrestricted General Fund for the current and two subsequent fiscal years, as follows:

- For 2014-15, the ending balance is projected at \$5.03 million, of which \$3.56 million represents the 3% reserve and \$1.42 million in undesignated balances.
- For 2015-16, the ending balance is projected at \$5.25 million, of which \$3.72 million represents the 3% reserve and \$1.48 million in undesignated balances.
- For 2016/17, the ending balance is projected at \$3.69 million, all of which is designated to meet the 3% required reserve.

As illustrated, while LCFF provides some relief in the budget for 2014-15 and potentially also for 2015-16, the third out-year poses risks, gives us reasons to be concerned, and calls for thoughtfulness and restraint on actions we take now.

The following table shows budget projections for 2015-16 and 2016-17:

BUDGET PROJECTIONS FOR 2015-16 AND 2016-17		
LCFF REVENUE ASSUMPTIONS FOR 2015-16 and 2016-17	2015-16	2016-17
Average Daily Attendance (Projected)	12,030.09	11,888.72
COLA	2.12%	2.30%
LCFF Funding Rate to Meet Target Level	30.39%	19.50%
LCFF Revenues	\$5,454,099	\$2,315,465
MAJOR EXPENDITURE ASSUMPTIONS FOR 2015-16 and 2016-17	2015-16	2016-17
Lower Class Sizes: [2015-16 K=25, 1-3=27] [2016-17 K=25, 1-3=26]	\$1,400,000	\$450,000
Cost of Step and Column Increase	\$650,000	\$670,000
Shift from Race to the Top	\$400,000	\$2,000,000
Instructional Materials - loss of Common Core Funds	\$800,000	(\$600,000)
Inflationary Costs in Utilities and Services	\$400,000	(\$200,000)
Cost of Deferred and On-going Maintenance due to Loss of Flexibility	\$1,500,000	

SUMMARY

Based on the projected balances shown in this review, the New Haven Unified School District can maintain a positive certification for the 2014-15 Proposed Budget. Assuming the District will continue to make budget reprioritizations and reductions as needed, and as shown on the multi-year analysis, a positive certification for 2015-16 and 2016-17 can also be achieved.

Based on the financial information presented, staff recommends approval of the 2014-15 Proposed Budget as presented.

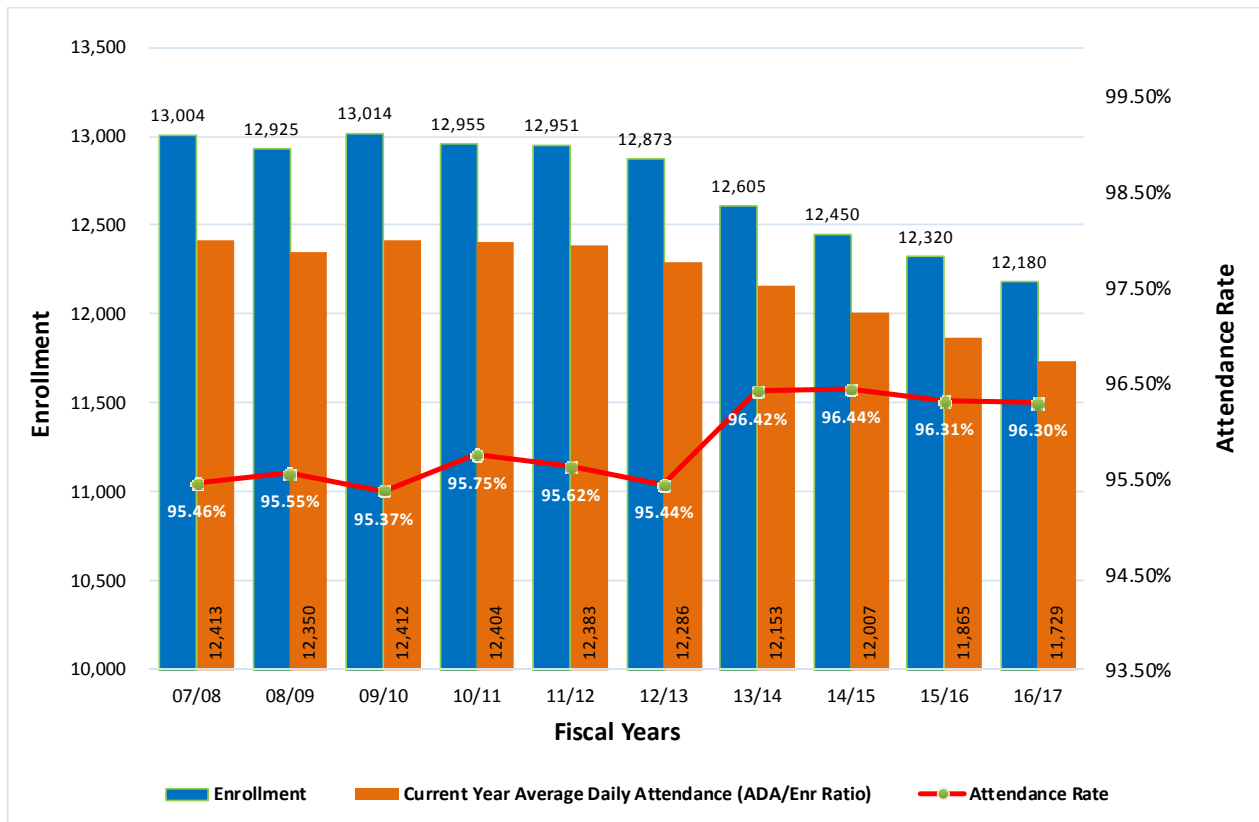
NEW HAVEN UNIFIED SCHOOL DISTRICT FUTURE BUDGET IMPLICATIONS AND CHALLENGES

There are some internal and external factors that could impact our future financial stability that we as a District must keep in mind as we move forward in digging ourselves out of the last few years of budget cuts and takeaways.

- Declining Enrollment

Our enrollment has been declining since 2010-11, but by far the largest drop is in 2013-14 of 268 students from prior year. Except for a few districts in our county, other neighboring districts are also seeing a decline. At this point there are no clear indications of a rebound and therefore we are projecting slightly over 1% drop for 2014-15.

The chart below shows our enrollment and average daily attendance projections:



- Pension Funds

The Governor intends to tackle the growing pension fund liabilities. Recently the employer portion of CalPERS rate increased from 11.44% to 11.77%. Below is the progression schedule of the Governor’s plan:

CalPERS Rate Increase Projection							
Actual		Projected					
2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.44%	11.77%	12.60%	15.00%	16.60%	18.20%	19.90%	20.40%

The Governor’s May Revision also proposes to fully fund CalSTRS liability, immediately, beginning July 1, 2014, by increasing contribution rates proposed for all three parties: the state, employees, and employer.

The employer contribution rate for CalSTRS is proposed to increase from 8.25% to 19.1% over the next seven years. The impact to the District is manageable for 2014-15, but the progression will add to the strain in the District’s uphill battle for fiscal stability.

Based on analysis by School Services of California, of the current \$74 billion CalSTRS unfunded liability:

- \$20 billion will be funded by the state
- \$8 billion will be funded by employees
- **\$47 billion will be funded by employers**

CalSTRS Rate Increase Projection							
Actual	Proposed						
2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
8.25%	9.50%	11.10%	12.70%	14.30%	15.90%	17.50%	19.10%

- Temporary Taxes Under PROP 30

The temporary increase in state sales tax and income tax rates from passage of Proposition 30 in November 2012 played a key role in making LCFF a reality. However, these higher taxes will expire by 2018-19. This means by 2019-20, the sixth of the eighth year of the LCFF plan, unless extended by the voters, the State will lose \$7 billion in tax revenues.

**2014-15
OTHER
FUNDS OF THE DISTRICT**

DESCRIPTION OF OTHER DISTRICT FUNDS

In addition to the General Fund, which is used to operate the schools, the District operates other special purpose funds as authorized or required by law. The funds are as follows:

FUND 11 – ADULT EDUCATION

This fund is used to account separately for federal, state, and local revenues for adult education programs. The principal revenues are derived from the Federal Workforce Investment Act, State CalWORKS Program, student fees, and interest.

FUND 12 – CHILD DEVELOPMENT

This fund is used to account separately for state and local revenues to operate a Child Development Program. The principal revenues are derived from State Preschool and parent fees. The program is administered externally by Kidango, for which the District serves as the pass-thru agency with the State.

FUND 13 – CHILD NUTRITION/FOOD SERVICES

This fund is used to account separately for federal, state, and local revenues to operate the Food Service Program. The principal revenues are derived from state and federal Child Nutrition Programs, food sales, and interest.

FUND 14 – DEFERRED MAINTENANCE

This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes. This fund is currently not being utilized by the District due to the state-authorized flexibility that is still in effect. Expenses for deferred maintenance are paid for by the General Fund and/or Building Fund.

FUND 17 – SPECIAL RESERVE OTHER THAN CAPITAL OUTLAY

This fund is used primarily to account separately for moneys that are set aside yearly from site allocations and District transfers for replacement and/or lease and maintenance of copy machines.

FUND 21 – BUILDING FUNDS

This fund exists primarily to account separately for proceeds from the issuance of bonds, and may not be used for any purposes other than those for which the bonds were authorized.

FUND 25 – CAPITAL FACILITIES

This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development. The authority of these levies may be county/city ordinances or private agreements between the District and the developer.

FUND 35 – COUNTY SCHOOL FACILITIES FUND

This fund is established to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), 2002 State School Facilities Fund (Proposition 47), 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

FUND 40 – SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS

This fund is used primarily to account for moneys for capital outlay purposes. It may also be used to account for any other revenues specifically for capital projects that are not restricted to Funds 21, 30, 35, or 49.

FUND 51 – BOND INTEREST AND REDEMPTION FUND

This fund is used for the repayment of bonds issued for an LEA (*Education Code sections 15125-15262*), and is administered by the County.

FUND 63 – KIDS FIRST

This fund is intended for enterprise activities. In New Haven, it is used to account for the revenues and expenditures in the fee-based Kids First Program.

FUND 71 – RETIREE BENEFIT TRUST FUNDS

This fund exists to account separately for the contributions, fund transfers, and expenditures in the Retiree Benefit Fund, and should be used only to account for the District's irrevocable contributions to a post-employment benefit plan for which a formal trust exists.

FUND 763 - TRANSFER AND REVENUE ANTICIPATION NOTES (TRANS) SET ASIDE

This fund exists solely for the purpose of holding cash set asides repaying cross-year TRANS.

STATE FINANCIAL REPORTS
BUDGET
2014-15
SACS FORMAT

APPENDIX

APPENDIX

- i. Formulas: 2014-15
- ii. Employee Benefit Table By Bargaining Unit
- iii. Standardized Account Codes Structure (SACS)
- iv. Glossary of Terms

STANDARDIZED ACCOUNT CODE STRUCTURE (SACS)

JUNE 2014

The major budget control is through the proper classification of all expenditures by the utilization of twenty-six digit expenditure codes. The standardized account code structure currently in use has been developed by the state of California to insure that all districts are reporting their budgets in the same standard manner. The fund and resource codes will allow the tracking of specific activities and sources of income. Listed below is an explanation of the account code structure. The major distinguishing expenditure code is the object of expenditure.

a	b	c	d	e	f	g	h
FUND	RESOURCE	PROJECT	GOAL	FUNCTION	OBJECT	SCHOOL	MGT
010	0000	0	0000	0000	0000	000	0000

- a. This two-digit number indicates the **FUND**. A fund is a self-balancing set of financial accounts established to carry on specific activities. In the example, Fund 01 is the General Fund. Additional fund codes have been set up for the Cafeteria Fund, Adult Education Fund, Child Development Fund, Deferred Maintenance Fund, Building Fund, Capital Facilities Fund, Special Reserve Fund, Retiree Trust Fund, Bond Interest & Redemption Funds, Prop 1-A Facility Funds, Kids First, and the Foundation.
- b. This four-digit number is the **RESOURCE** code. The resource code tracks activities funded with revenues that have financial reporting requirements such as special education. In addition, the resource code separates unrestricted from restricted funds. The unrestricted funds are coded in resources 0000 - 1999. The restricted funds are coded in resources 2000-9999. All resource codes must be balanced individually.
- c. **PROJECT YEAR** code is a seldom used code used when a federal grant spans multiple fiscal years. It is normal to find a 0 in this code location.
- d. The **GOAL** code is a four-digit code which defines an objective related to an instructional setting or a special population. An example would be 1110 which means regular education k-12. This field is used to account for the cost of instruction and other services.
- e. **FUNCTION** is also a four-digit code. The purpose of the function field is to designate a general operational area and/or a type of activity. The function field in conjunction with certain goals play an important part in determining the district indirect cost rate. Some examples of function codes are 2700 school administration, 8100 plant maintenance and operations, 1000 instruction. The district uses a function code to identify programs which do not have a specific resource code.
- f. **OBJECT** codes are used to classify revenues by general sources and types. In addition object codes are used to classify expenditures according to types of items purchased or services obtained. The object code is a four-digit code.

- g. **SCHOOL** code is a three-digit code which is used to define the specific site that the budget services. Each site has two codes. The basic site code structure is **XXO**. The first two number indicate the individual site and the last digit is a zero. This identifies the site, but it indicates that the budget is not directly under the site budget manager's control. This would be true for salaries, maintenance and custodial budgets, etc. The second code is **XXI**. The first two numbers indicate the individual site and the last digit being a one, allows the site budget manager to move these funds to any object that meets their program needs. Having the last digit be a one also allows the site budget manager to pull a report just for those codes that he/she has budget authority over.

- h. The **MANAGEMENT** field is a four-digit field which the District can use to designate anything unique to this district. Currently we place a nine in the first position to indicate funds carried over from a previous year. When not in use, four zeros fill this position.

Glossary of Terms

ABATEMENT: A complete or partial cancellation of an expenditure or revenue.

ABATEMENT OF EXPENDITURES: Return or cancellation of part or all of a charge previously made, usually resulting from the provisions of goods or materials of a quality other than specified, for which allowances or refunds are made or which results in a resale of the materials originally purchased. The term can be applied to a loss of or damage to property and applies to both current expenditures and capital outlay expenditures.

ABATEMENT OF REVENUE: The return or cancellation of all or some part of any specific revenue previously recorded.

ACCOUNTING PERIOD: A period of time for which records are maintained and at the end of which financial statements are prepared covering the period.

ACCOUNT NUMBERS OR LETTER: Numbers and/or letters that are assigned to the ordinary titles of accounts are for classification of accounts and ease of reference.

ACCOUNTS PAYABLE: Amounts due and owed to private persons, business firms, governmental units, or others for goods received and/or services rendered prior to the end of the fiscal year. Includes amounts billed but not paid. Does not include amounts due to other funds of the same local educational agency.

ACCOUNTS RECEIVABLE: Amounts due and owed from private persons, business firms, governmental units, or others for goods received an/or services rendered prior to the end of the fiscal year. Includes amounts billed but not received. Does not include amounts due from other funds of the same local educational agency.

ACCRUAL BASIS: That method of accounting in which revenue is recorded when earned, even though not collected, and expenses are recorded when the liabilities are incurred, even if not yet paid.

ACCRUED EXPENDITURES: Expenditures incurred during the current account period which are not paid until subsequent accounting period.

ACCRUED REVENUE: Revenue earned during the current accounting period but which is not collected until the following accounting period.

ACTUARIAL BASIS: A basis used in computing the amount of contributions to be made periodically to a fund so that the total contributions plus the compounded

Glossary of Terms

earnings thereon will equal the required payments to be made out of the fund. The factors taken into account in arriving at the amount include the length of time over which each collection or payment is to be made and the rate of return compounded on such amounts over its life.

AD VALOREM TAX: A tax based on a percent of the value of goods or services.

AGENCY FUND: A fund consisting of resources received and held by an LEA as an agent for others.

ALLOCATION: Division or distribution in accordance with a predetermined plan.

ALLOWANCE: A provision for valuing an asset at net, such as an allowance for bad debts. The allowance for bad debts would be deducted from accounts receivable to reflect the probable collectible receivables.

APPORTIONMENT: Allocation of state or federal aid, district taxes, or other moneys among LEA's or other governmental units.

APPORTIONMENT NOTICE: A document notifying LEAs when moneys have been deposited with the county treasurer.

APPRAISAL: An estimate of property value made by the use of systematic procedures based on physical inspection and inventory, engineering studies and other economic features.

APPROPRIATION: An authorization, granted by the governing board, to make expenditures and to incur obligation for special purposes. An appropriation is usually limited in purpose, amount, and the time period during which it may be expended.

APPROPRIATION LEDGER: A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated in the budget, budget increases or decreases during the year, expenditures, encumbrances, unencumbered balances, and other related information.

ASSEMBLY BILLS: AB-8, AB65, AB-777, AB-87: See Legislation.

ASSESSED VALUATION: Value placed on personal and real property by a governmental unit for taxation purposes.

Glossary of Terms

ASSETS: Resources that are held or owned by an LEA and that have monetary value.

AUDIT: An examination of documents, records, and accounts for the purpose of (1) determining the propriety of transactions; (2) ascertaining whether all transactions are recorded properly; and (3) determining whether statements that are drawn from accounts reflect an accurate picture of financial operations and financial status for a given period of time.

AUDIT PROGRAM: A detailed outline of work to be done and the procedure to be followed during the audit.

AVAILABLE CASH: Cash that is on hand or on deposit in a given fund and that is unencumbered and can be utilized for meeting current obligations.

AVERAGE DAILY ATTENDANCE (ADA): Total approved days of attendance in the LEA divided by the number of days the schools in the LEA are in session for at least the required minimum day.

BAILOUT LEGISLATION: Emergency laws and the State Budget Act enacted by the California Legislature in June and July, 1978, following the passage of Proposition 13. They have been amended by subsequent legislation.

BALANCE SHEET: A statement that shows assets, liabilities, and fund balance or fund deficit of an entity at a specific date and is properly classified to exhibit the financial condition of the entity as of that specific date.

BARGAINING: The range of subject which are negotiated between school districts and employee organizations during the collective bargaining process. Scope includes matters relating to wages, hours and working conditions; PERB is responsible for interpreting disputes about scope.

BASIS OF ACCOUNTING: The time at which revenues, expenditures, transfers, and related liabilities and assets are recognized in the accounts and reported in the financial statements.

BASIC AID: The minimum grant of \$120 per K-12 pupil guaranteed by the State Constitution. This amount is part of a school district's revenue.

BILINGUAL EDUCATION: Programs serving students with limited proficiency in English. Some federal and state categorical funds are available for bilingual education programs.

Glossary of Terms

BLOCK GRANT: A lump sum allocation of special purpose funds (see ECIA, chapter 2) The same term is sometimes used to describe a district's total revenue limit.

BOND: A certificate containing a written promise to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and specifying interest at a fixed rate, usually payable periodically.

BOND DISCOUNT: The excess of the face value at which a bond is acquired or sold over its face value. (The price does not include accrued interest at the date of acquisition or sale.)

BOND PREMIUM: The excess of the price at which a bond is acquired or sold over its face value. (The price does not include accrued interest at the date of acquisition or sale).

BONDED DEBT: That portion of indebtedness represented by outstanding bonds.

BONDED DEBT SERVICE: Expenditures that are incurred for interest and redemption of bonds.

BONDED INDEBTEDNESS: An obligation incurred by the sale of bonds for acquisition of school facilities or other capital expenditures. Districts may levy a local property tax to repay debts which were approved prior to June 1978; Proposition 13 prevents them from incurring new indebtedness.

BONDS AUTHORIZED AND UNISSUED: Legally authorized bonds that have not been sold and that may be sold without further authorization.

BUDGET: A plan of financial operation consisting of an estimate of proposed revenue and expenditures for a given period and purpose. The term usually indicates a financial plan for a single fiscal year.

BUDGET ACT: The legislative vehicle for the State's budget appropriations. It must be passed by a two-thirds vote of each house and sent to the Governor by June 15th each year. The Governor may reduce or delete individual items but may not make increases.

BUDGETARY ACCOUNTS: Those accounts which make it possible for a budgetary-type fund (governmental fund) to show how (1) estimated revenue and revenue realized to date compare; and (2) expenditures and encumbrances compare with

Glossary of Terms

appropriations during the fiscal period. The budgetary accounts are estimated revenue, appropriations and encumbrances.

BUDGETARY CONTROL: The management of financial transactions in accordance with an approved plan of estimated revenues and expenditures.

BUDGETING: The process of allocating the available resources of an organization among potential activities to achieve the objectives of the organization; planning for the use of resources.

CALIFORNIA ASSESSMENT PROGRAM (CAP): The California Assessment Program state matrix tests which must be taken by students in grades 3, 6, 8, and 12 (and grade 10 b7 1985). Scores are reported by school and by district but not for individual students.

CALIFORNIA BASIC EDUCATION SKILLS TEST (CBEST): The California Basic Education Skills Test is required of anyone who seeks certification as a teacher, the test covers reading, writing, and mathematics.

CALIFORNIA BASIC EDUCATIONAL DATA SYSTEM (CBEDS): The California Basic Educational Data System compiles educational demographic data for each school district within the State of California. Information is collected and submitted by each school district on CBEDS Day (October 15th) and March 31st (P2) annually.

CAP: See California Assessment Program.

CAPITAL ASSETS: See Fixed Assets.

CAPITAL OUTLAY: Amounts paid for the acquisition of fixed assets or additions to fixed assets, including land or existing buildings, the improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial and additional equipment.

CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION (COFPE): The Capital Outlay Fund for Public Higher Education is supported by revenue from oil on state-owned land. Some tidelands oil revenues are appropriated for K-12 capital outlay needs.

CAPITAL PROJECTS FUND: Funds established to account for financial resources that are to be used for the acquisition of major capital facilities.

Glossary of Terms

CASH: Currency, checks, postal and express money orders, and banker's drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. Any restriction or limitation as the availability of cash should be indicated.

CASH ADVANCE: Cash apportioned in advance of the usual apportionment period.

CASH BASIS: Method of accounting in which revenue and expenditures are recorded only when cash is actually received or disbursed. The cash basis is not acceptable for use in LEAs.

CASH COLLECTION AWAITING DEPOSIT: Receipts on hand or moneys in a bank clearing account awaiting deposit in the county treasury.

CASH DISCOUNT: An allowance made on a purchase if payment is made within a stated period. (This term is not to be confused with the trade discount).

CASH IN BANK: Balances in separate bank accounts such as student body accounts, school farm accounts, and cafeteria accounts.

CASH IN COUNTY TREASURY: Cash balances on deposit in the county treasury for the various funds of the LEA.

CATEGORICAL AID: Money from the state or federal government granted to qualifying school districts for children with special needs, such as educationally handicapped; for special programs, such as the School Improvement Program (SIP); or for special purposes such as Economic Impact Aid (EIA) or transportation. Expenditure of categorical aid is restricted to its particular purpose. The funds are granted to districts in addition to their revenue limits.

CBEDS: See California Basic Educational Data System.

CBEST: See California Basic Education Skills Test.

CERTIFICATED EMPLOYEES: Employees who are required to hold teaching credentials, including full-time, part-time, substitute or temporary teachers and most administrators.

Glossary of Terms

CERTIFICATES OF PARTICIPATION: A financing technique which provides long-term financing through a lease (with an option to purchase or a conditional sale agreement).

CHAPTER 1, 2: See ECIA

CHART OF ACCOUNTS: A list of accounts, systematically arranged, that are applicable to a specific LEA. All account names and numbers, if any, are listed in numerical order.

CHECK: A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specific sum of money to a named person, to his or her order, or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that a warrant is not necessarily payable on demand and may not be negotiable; a check differs from a voucher in that a voucher is not an order to pay. A voucher-check combines the distinguishing characteristic of a voucher and a check; it shows the propriety of a payment and is an order to pay.

CLASSIFICATION: The naming or identification of an item or a category, such as the designation of the particular account into which a receipt or expenditure is to be recorded or the separation of data into acceptable groupings so that financial facts can be stated more clearly.

CLASSIFIED EMPLOYEES: Employees who are required to have licenses, special training, skills, etc. including school secretaries, custodians, bus drivers, and some management personnel.

CLEARING ACCOUNTS: Accounts used to accumulate total receipts or expenditures for later distribution among the accounts to which such receipts or expenditures are properly allocable.

CLOSING ENTRIES: entries recorded at the end of each fiscal period to transfer the balances in the revenue and expenditure (or expense) accounts to the permanent equity accounts (fund balance or retained earnings) of an accounting entity.

CODE: (1) A distinguishing reference number or symbol. (2) Statement of the laws of a specific field; e.g. Education Code, Penal Code, Civil Code, and Labor Code.

COPPHE: See Capital Outlay Fund for Public Higher Education

COLA: See Cost of Living Adjustment.

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COLLECTIVE BARGAINING SB 160 (1975): A California law which sets out the manner and scope of negotiations between school districts and employee organizations. The law also mandates a regulatory board (see PERB).

CONSOLIDATION: The combining of two or more elementary or high school districts with adjoining borders to form a single district (see Unification and Unionization).

CONSUMER PRICE INDEX (CPI): A measure of the cost of living compiled by the United State Bureau of Labor Statistics. Consumer price indices are calculated regularly for the United States, California, some regions within California, and selected cities. The CPI is one of several measures of economic change.

CONTINGENT LIABILITIES: Items that may become liabilities as a result of conditions undetermined at a given date; e.g. guarantees, pending lawsuits judgments and appeals, and unsettled disputed claims.

CONTRA ACCOUNT: An account to record offsetting transactions; e.g. abatements.

CONTRACT: An agreement between two or more people or entities to do something. Contracts are usually in writing and are enforceable by law.

CONTRACTED SERVICES: Expenditures for services rendered under contract by personnel who are not on the payroll of the LEA, including all related expenditures covered by the contract.

CONTROL ACCOUNT: A summary account, usually maintained in the general ledger, in which is entered the aggregate of the debit and the credit postings to a number of identical, similar, or related accounts called subsidiary accounts. Its balance equals the sum of the balance of the detail accounts.

COST: The amount of money or its equivalent value paid or agreed to be paid for property or services. Costs may be incurred even before money is paid; that is, as soon as a liability is assumed. Ultimately, however, money or its equivalent must be given in exchange. The cost of some property or service may in turn become a part of the cost of another property or service. For example, the cost of materials will be reflected in the cost of articles made from such materials.

COST OF EDUCATION INDEX: A measure of variation in costs for individual school districts, such as utilities, gasoline, and the cost of living in the geographical area.

Glossary of Terms

COST OF LIVING ADJUSTMENT (COLA): An increase in funding for revenue limits or categorical programs. The amount of the COLA may or may not be related to inflationary increases in costs.

COUNTY SCHOOL SERVICE FUND (CSSF): A fund established to control the financial operations of the offices of county superintendents of schools.

CPI: See Consumer Price Index.

CREDIT: The right side of the double-entry posting. Credits will reduce assets and expenditures and increase liabilities, revenues, and fund balances.

CSSF: See County School Service Fund.

CURRENT ASSETS: Assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities.

CURRENT EXPENSE OF EDUCATION: The current General fund operating expenditures of an LEA for kindergarten and grades one through 12, excluding expenditures for food services, community services, non-agency activities, fringe benefits for retired persons, facility acquisition and construction and object classifications 6000 and 7000.

CURRENT LIABILITIES: Amounts due and payable for goods and services received prior to the end of the fiscal year. Current liabilities should be paid within a relatively short period of time, usually within a year.

CURRENT LOANS: A loan payable in the same fiscal year in which the money was borrowed.

DE FACTO SEGREGATION: Racial segregation which is not intentional, that is, caused by the acts of governing bodies.

DE JURE SEGREGATION: Racial segregation which is intentional, that is, caused by the acts of governing bodies.

DEBIT: The left side of a double-entry posting. A debit will increase assets and expenditures and reduce liabilities, revenue, and fund balance.

DEBT LIMIT: The maximum amount of legally permitted debt.

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DEBT SERVICE: Expenditures for the retirement of debt and for interest on debt.

DEBT SERVICE FUNDS: Funds established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DECLINING ENROLLMENT ADJUSTMENT: A formula which cushions the drop in income in a district with a shrinking student population (eliminated in 1983-84).

DEFERRED MAINTENANCE: Major repairs of buildings and equipment which have been postponed by the school district. Some state funds are available to assist districts with deferred maintenance projects.

DEFERRED REVENUE: Revenue received in a given period, but unearned which is set up as a liability to be included as revenue in subsequent periods.

DEFICIT: The amount by which a sum of money falls short of a required amount (e.g. apportionment deficits).

DEFICIT FACTOR: A formula for reducing state allocations to school districts for revenue limits and/or categorical programs when state appropriations are insufficient (see Encroachment).

DEFICIT FINANCING: The amount to be provided when estimated expenditures exceed the estimated revenues.

DEFICIT FUND BALANCE: The excess of liabilities of a fund over its assets.

DEFICIT SPENDING: The excess of actual expenditures over actual revenues (also referred to as an operating deficit).

DELINQUENT TAXES: Taxes remaining unpaid after the close of the year in which levied.

DEPRECIATION: Estimated loss in value or service life of fixed assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.

DIRECT EXPENSES OR COSTS: Expenses that can be separately identified and charged as a part of the cost of a product, service, or department.

DIRECT SUPPORT CHARGES: Charges for a support program and services that directly benefit other programs.

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DIRECT SERVICES: Attendance, health, guidance and library services and supervision of instruction (K-8 only) performed by county offices of education for small districts (elementary, high school, and unified districts with less than 901, 301, and 1501 ADA respectively).

DISBURSEMENTS: Payments by currency, check, or warrant. (The term is not synonymous with expenditures).

DOUBLE ENTRY: A system of bookkeeping that requires an amount be credited for every corresponding amount debited. Thus, the double entry ledger maintains equality of debits and credits.

EARNED INTEREST REVENUE: A sum of money received or due to be received for the use of money loaned or invested.

ECIA: See Educational Consolidation and Improvement Act.

ECONOMIC IMPACT AID (EIA): State categorical aid for districts with concentrations of children who are bilingual transient or from low income families.

EDGAR: See Educational Department General Administration Regulations.

EDUCATION CODE: The body of law which regulates education in California. Additional regulations are contained in the California Administrative Code, Titles 5 and 8, of the Government Code, and general statutes.

EDUCATION DEPARTMENT GENERAL ADMINISTRATION REGULATIONS (EDGAR): These are the regulations of the U.S. Department of Education incorporating certain circulars from the Office of Management and Budget.

EDUCATIONAL CONSOLIDATION AND IMPROVEMENT ACT (ECIA): The federal Educational Consolidation and improvement Act. Chapter 1 of the Act is the former Title I program for educationally disadvantaged children. Chapter 2 consists of multiple programs consolidated into block grants to states and local districts.

EIA: See Economic Impact Aid.

EMPLOYEE BENEFITS: Amounts paid by the LEA on behalf of employees; these amounts are not included in the gross salary, but are over and above. They are fringe benefit payments; and while not paid directly to employees, they are

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nevertheless a part of the cost of salaries and benefits. Examples are (1) group health or life insurance payments; (2) contributions to employee retirement; (3) OASDI (Social Security) taxes; (4) worker's compensation payments; and (5) payments made to personnel on sabbatical leave.

ENCROACHMENT: The use of unrestricted moneys to support restricted program expenditures.

ENCUMBRANCES: Obligations in the form of purchase orders, contracts, salaries, and other commitments chargeable to an appropriation for which a part of the appropriation is reserved.

ENROLLMENT: Enrollment is the actual number of students registered with the school district who actually attend its schools. This does not mean the number of students who are in attendance throughout the school district during any given period; i.e. day, week, month, year. See ADA.

ENTERPRISE FUND: Funds used to account for those ongoing LEA activities which, because of their income-producing character, are similar to those found in the private sector.

ENTITLEMENT: An apportionment that is based on specific qualifications.

ESTIMATED REVENUES: For revenue accounts kept on the accrual bases, this term designates the amount of revenue estimated to accrue during a given period regardless of whether it is all to be collected during the period.

EXIT CRITERIA: The regulations which determine when a child may move from a special service, such as a bilingual program, to a regular full-time classroom.

EXPENDITURES: The costs of goods delivered or services rendered, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlay.

EXPENSES: Charges incurred, whether paid or not, for the operation, maintenance, interest, and other charges, which are presumed to benefit the current fiscal year. Expense accounts are used in certain trust funds and in proprietary-type funds.

FACE VALUE: As applied to securities, the amount stated in the security document.

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FEES: Amounts collected from or paid to individuals or groups for services or for use of a school or other facilities.

FIDELITY BOND: A form of insurance that provides for the indemnification of the LEA or other employer for losses arising from the theft or dishonesty of employees.

FISCAL YEAR: A period of one year, the beginning and the ending dates of which are fixed by statute in California, the period beginning on July 1 and ending on June 30.

FIXED ASSETS: Assets of a permanent character having continuing value; e.g. land, buildings, machinery, furniture, and equipment.

FULL-TIME EQUIVALENT: The ratio of time expended in a part-time position to that of a full-time position. The ratio is derived by dividing the amount of time of employment required in the part-time position by the amount of employed time required in a corresponding full-time position.

FUNCTION: An act, service, or group of services proper to a person, thing or institution and aimed at accomplishing a certain end.

FUND: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE: The difference between assets and liabilities. The fund equity of governmental trust funds.

GAAP: See Generally Accepted Accounting Principles.

GAAS: See Generally Accepted Auditing Standards.

GAGAS: See Generally Accepted Governmental Auditing Standards.

GASB: See Governmental Accounting Standards Board

GANN AMENDMENT: An initiative passed in November 1979 which added Article XIII to the California Constitution. It established a ceiling, or limit on each year's appropriation of tax dollars by the state, cities, counties, school districts, and

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special districts. Using the base year of 1978-79, subsequent year limits are adjusted for the change in California Consumer Price Index or per capital personal income, whichever is smaller, and for any change in population.

GATE: See Gifted and Talented Education Program.

GENERAL FIXED ASSETS ACCOUNT GROUP: A self-balancing group of accounts set up to account for the general fixed assets of an LEA.

GENERAL FUND: The fund used to finance the ordinary operation of the LEA. It is available for any legally authorized purpose.

GENERAL JOURNAL: A book of original entry for all entries of financial transactions that are not recorded in a special journal such as a cash receipts journal, a voucher register, or a cash disbursements journal.

GENERAL LEDGER: A book, file, or other device which contains the accounts needed to reflect, in summary and in detail, the financial position, the results of financial operations, and the changes in equities of a fund or account group used by an LEA.

GENERAL LONG-TERM DEBT: Long-term debt that is legally payable from general revenues and backed by the full faith and credit of an LEA.

GENERAL GROUP OF LONG-TERM DEBT ACCOUNTS: The account group in which all un-matured general long-term liabilities of an LEA are recorded. It does not include long-term liabilities of proprietary funds and non-expendable trust funds.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP): Uniform minimum standards of, and guidelines to, financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. These principles encompass the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. Generally accepted accounting principles provide a standard by which to measure financial presentations. The primary authoritative source on the application of these principles to state and local governments is the Governmental Accounting Standards Board (GASB).

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GENERALLY ACCEPTED AUDITING STANDARDS (GAAS): Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. The standards are concerned with the auditor's Professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards are established by the American Institute of Certified Public Accountants (AICPA).

GENERAL ACCEPTED GOVERNMENTAL AUDITING STANDARDS (GAGAS): Generally accepted auditing standards for government are established by the U.S. Government Accounting Office in Standards and Procedures for Audits of Governmental Organizations, Programs, Activities, and Function.

GIFT: Anything of value received from any source for which no repayment or service to the contributor is expected.

GIFTED AND TALENTED EDUCATION PROGRAM (GATE): The Gifted and Talented Education program guidelines and criteria have been expanded to provide additional education services to children identified as exceptionally able or talented.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB): The organization established to issue standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities. It is the successor organization to the National Council on Governmental Accounting (NCGA).

GRADE LEVEL: Assigned classification of students according to age and school progress; e.g. kindergarten and first grade.

GRANT: A contribution, either in money or material goods, made by one governmental entity to another. Grants may be for specific or general purposes.

GRANTS-IN-AID: Outright donations or contributions, usually by a superior governmental unit, without the prior establishment of conditions with which the recipient must comply.

HIGH EXPENDITURE DISTRICTS: Districts with revenue limits considerable above the state average. Most of these were formerly called "high wealth" districts because their assessed value per ADA was also significantly above the state average.

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HOLDING ACCOUNTS: Suspendse accounts that are used temporarily to accumulate costs that will ultimately be charged to other using programs.

IEP: See Individual Education Plan.

IMPACT AID: See PL 81-874.

IN LIEU OF TAXES: Revenue to replace the loss of tax revenue resulting from property that is exempted from taxation.

INCENTIVES: Financial rewards for implementing a new program, such as longer school day year, or for performance, such as by students on CAP tests. Many of the “reforms” in SB 813 contain incentives.

INCOME: A term used in accounting for a proprietary fund type to represent the excess of revenues earned over the expenses incurred in carrying on the fund’s operations. The term income should not be used in lieu of revenue in governmental-type funds.

INDIRECT COST AND OVERHEAD: Elements of cost necessary in the operation of the LEA or in the performance of a service that are of such nature that the amount applicable to each accounting unit cannot be determined readily and accurately or for which the cost of such determination exceeds the benefits of the determination.

INDIRECT SUPPORT CHARGES: Charges for routine services not performed as a special service for a particular program but allocated to using programs.

INDIVIDUAL EDUCATION PLAN (IEP): A written agreement between a school district and parents or guardians of a handicapped child specifying an educational program tailored to the needs of the child.

INFLATION FACTOR: See Cost of Living Adjustment.

INTEREST: A fee charged to the borrower for the use of money.

INTERFUND ACCOUNT: Accounts in which transactions between funds are reflected.

INTERFUND TRANSFERS: Money that is taken from one fund under the control of the governing board and added to another fund under the board’s control. Interfund transfers are not revenues or expenditures of the LEA.

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INTERIM BORROWING: (1) Short term loans to be repaid from general revenues during the course of a fiscal year. (2) Short term loans in anticipation of tax collections or bond insurance.

INTERNAL AUDIT: An appraisal activity within an LEA which (1) determines the adequacy of the system of internal control; (2) verifies and safeguards assets; (3) determines the reliability of the accounting and reporting system; (4) ascertains compliance with existing policies and procedures; and (5) appraises the performance of activities and work programs.

INTERNAL CONTROL: A plan of organization under which employees' duties are so arranged and records and procedures so designated as to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, revenue, and expenditures. Under such a system the employees' work is subdivided so that on one employee performs a complete cycle of operations; such procedures call for proper authorization by designated officials.

INTERNAL SERVICE FUNDS: Funds created to render services on a cost reimbursement basis to other organizational units of the LEA. Such funds are generally intended to be self-supporting.

INTRABUDGET TRANSFERS: Amounts transferred from one appropriation account to another within the same fund.

INVENTORY: A detailed list showing quantities and description of property on hand at a given time. It may also include units of measure, unit prices, and values.

INVESTMENTS: Disbursements of cash for the purpose of generating revenue.

INVOICE: An itemized statement of charges for merchandise sold or services rendered to the purchaser.

JOB ACCOUNT: An account established to record the accumulation of costs of a specific piece of work; work orders showing charges for material and labor used.

JOINT SCHOOL DISTRICTS: School districts with territory in more than one county.

JOURNAL: Any accounting record in which the financial transaction of an LEA are formally recorded for the first time; e.g. the cash receipts book, check register, and general ledger.

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JOURNAL VOUCHER: A form provided for the recording of certain transactions or information in the place of, or supplementary to, the journal or registers.

JUDGMENTS: Amount due to be paid or collected by the LEA as the result of court decision.

LEGISLATION: The California Legislature has passed school finance legislation almost every year since 1972. The major laws, in chronological order, are:

SB 90, 1972.....Instituted revenue limits.

AB 65, 1977.....Initiated a “long term” solution to the Serrano-Priest decision, the School Improvement Program, and several other programs.

SB 90, 1977.....Allowed reimbursement for costs resulting from state mandates.

SB 154, 1978.....Allocated property taxes to cities, counties and schools after Proposition 13 (bailout).

AB 1979.....Defined the source and method of funding schools, counties, cities and special districts including adjusting the allocation of property taxes.

AB 1981.....Allowed waivers, revised revenue limit formulas, and consolidated some categorical programs at local level.

SB 813, 1983.....Superceded previous school finance laws and made many changes to the California Education curriculum, graduation requirements, testing, mentor teachers, teacher evaluation, hiring and firing procedures, student discipline, incentive programs, funding for revenue limits and categorical programs, various commissions and studies, and the preparation of state-wide curriculum standards.

AB 87, 1991.....Defined the laws, policies, and regulations governing the funding of Year Round Education in the state of California.

LEVELING DOWN: Decreasing the level of per pupil revenue limits state-wide toward of higher revenue limit districts. Also known as Parity funding principle.

LEVY: The imposition of taxes or special assessments for the support of governmental activities; also the total amount of taxes, special assessments, or service charges imposed by a governmental unit.

LIABILITIES: Legal obligations (with the exception of encumbrances) that are unpaid.

LIFE SPAN (GRADE SPAN): Broad group classification of students according to age and school progress; i.e. pre-formal, elementary, secondary, and adult.

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LONG-TERM DEBT: Debt that matures more than one year after the date of issuance.

LOW EXPENDITURE DISTRICTS: Districts with revenue limits per child near the statewide average. Many were formerly called “low wealth” districts because their assessed valuation per ADA was below the average. Neither “high” nor “low” refers to the family income of district residents.

MANDATED COSTS: School district expenses which occur because of federal or state laws, decisions of state or federal courts, federal or state administrative regulations, or initiative measures.

MASTER TEACHER: A selected teacher who receives a stipend of \$4,000, a program initiated in SB 813. The mentor teacher works with the new and experienced teachers on curriculum and instruction and must spend at least 60% time in classroom teaching.

MINIMUM GUARANTEE: Granting a district a specified percentage of the total revenue limit income it received the previous year regardless of a change in ADA.

MODIFIED ACCRUAL BASIS: The accrual basis of accounting adapted to the governmental fund type. Under it, revenues are recognized when they become both “measurable” and “available” to finance expenditures of the current period. Most expenditures are recognized (recorded) when the related liability is incurred.

MULTI-YEAR FINANCIAL PLAN: A plan that presents financial estimates of programs in tabular form for a period of year. These estimates should reflect the future financial impact of current decisions. The data in the plan should be organized along the lines of program structure.

NECESSARY SMALL SCHOOLS: Elementary schools with less than 101 or high schools with less than 301 ADA which meet sparsity standards and which are separately funded.

NET INCOME: Proprietary fund excess of revenues and operating transfers in over expenses and operating transfers out.

OBJECT: As used in an expenditure classification, a term that applies to the article purchased or the service obtained.

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OBLIGATIONS: Amounts that the LEA may be legally required to meet out of its resources. They include not only actual liabilities but also un-liquidated encumbrances.

OPERATING TRANSFERS: All interfund transfers other than residual equity transfers.

ORDER (FOR PAYMENT): A written demand by the governing board of an LEA requiring the county superintendent of schools to draw his or her requisition on the county auditor for the payment of a claim against the LEA.

OTHER FINANCING SOURCES: Governmental fund general long-term debt proceeds, operating transfers in, and material proceeds of fixed asset dispositions. Such amounts are classified separately from revenues.

OTHER FINANCING USES: Governmental fund operating transfers out. Such amounts are classified separately from expenditures.

OVERDRAFT: The amount by which checks, drafts, or other demands for payment on the treasury or on a bank account exceed the amount of the balance on which they are drawn; or the amount by which encumbrances and expenditures exceed the appropriation to which they are charged.

OVERHEAD: See Indirect Cost and Overhead.

PAYROLL REGISTER: A document accompanying one or more orders on an LEA fund for the payment of salaries or wages to employees; contains the names of such employees and provides information substantiating such order.

PAYROLL WARRANT: A document used as an order or a requisition on a fund of an LEA for the purpose of paying salaries or wages.

PER CAPITA PERSONAL INCOME: Income before taxes as estimated by the U.S. Department of Commerce for California and other states.

PERB: See Public Employees' Relations Board

PERS: See Public Employees' Retirement System.

PERPETUAL INVENTORY: A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual

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physical inventory count. A record is provided for each item or group of items to be inventoried and is so divided as to provide a running record of goods ordered, received, and withdrawn and the balance on hand in units and cost.

PERSONAL PROPERTY: A property except real estate.

PETTY CASH: A sum of money set aside for the purpose of making change or immediate payments of small amounts.

PHYSICAL INVENTORY: The annual physical count of an LEA's inventory. This count is often taken at the end of the year and observed by the LEA's auditors. The accuracy of the perpetual inventory records is tested periodically by physical inventories.

PL 81-874: A federal program of "Impact Aid" which provides funds to districts which educate children whose families live or work on federal property, such as military bases.

PL 94-142: Federal law which mandates a "free and appropriate" education for all handicapped children.

POSTING: The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book of original entry.

PREPAID EXPENSES: Items for which payment has been made but for which benefits have not been realized as of a certain date, e.g. prepaid rent, prepaid interest, and premiums or unexpired insurance.

PRIOR YEARS' TAXES: Taxes collected within the current fiscal year for levies in previous fiscal years.

PROFICIENCY REQUIREMENTS: Required examination of students' knowledge of basic skills according to standards set by local districts. Remedial help must be provided for those who fail to meet the standards; students must pass the tests to graduate. Different proficiency requirements apply to aides and new teachers (see CBEST).

PROGRAM: A group of related activities consisting of a unique combination of objects that operate together to accomplish common ends.

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PROGRAM ACCOUNTING: A system of accounting in which records are maintained to accumulate revenue and expenditure data by program.

PROGRAM COSTS: Costs that are incurred and allocated by programs rather than by organizations.

PROGRAM STRUCTURE: The hierarchical arrangement of programs that represents the interrelationship of activities to goals and objects. The program structure contains categories of activities with common outputs and objectives. Programs may cut across existing departments and agencies.

PROPOSITION 13: An initiative amendment passed in June 1978 adding Article XIII A to the California Constitution. Tax rates on secured property are restricted to no more than 1% of full cash value. Proposition 13 also defined assessed value and required a two-thirds vote to change existing or levy other new taxes.

PRORATING: The allocation of expenditures or revenue from a single source to two or more accounts to show the correct distribution of charges or revenue.

PROTESTED TAXES: Tax money paid under protest and held by the county auditor pending settlement of the protest.

PUBLIC EMPLOYEES' RELATIONS BOARD (PERB): The Public Employees Relations Board consists of five persons appointed by the Governor to regulate collective bargaining between school districts and employee organizations.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS): State law required school district employees, school districts, and the state to contribute to the fund.

PUPIL WEIGHTING: A method of distributing money for education according to the individual characteristics of each pupil. Weights or ratios are assigned for categories of pupil need or special costs; funds are distributed to districts according to their total number of pupil weights.

PURCHASE ORDER: A document issued to a vendor that authorized the delivery of specified merchandise or the performance of certain services and the making of a charge for them.

REAL PROPERTY: Property consisting of land, buildings, minerals, timber, landscaping, and all improvements thereto.

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REBATE: See Abatement or Refund.

RECEIPTS: Cash received.

RECLASSIFICATION: Re-designation of current year's revenue or expenditure items previously posted to one account and later determined to be more properly charged to a different account.

REFUND: An amount paid back or credit allowed on account of an over-collection.

REGISTERED WARRANT: A warrant that is registered by the county treasurer for future payment because of present lack of funds and that is to be paid with interest in the order of its registration.

REGISTERS: A listing of transactions of like kind that may be totaled and summarized for convenience in posting; e.g. payroll registers, warrant registers, and attendance registers.

REIMBURSEMENT: Cash or other assets received as a repayment of the cost of work or services performed; or repayment of other expenditures made for or on behalf of another governmental unit, fund or department.

REQUISITION: A document submitted initiating a purchase order to secure specified articles or services or issuance of materials from stores or a warehouse.

RESERVE: An account used to earmark a portion of a (1) fund balance to indicate that it is not available for expenditure (such as the reserve for inventories); and (2) fund equity as legally segregated for a specific future use (such as the reserve for a restricted program balance).

RESERVE FOR ENCUMBRANCES: An account used to aggregate a portion of a fund balance for expenditure on vendor performance.

RESIDUAL EQUITY TRANSFERS: Nonrecurring or non-routine transfers of equity between funds of the LEA, e.g. transfers of residual balances of discontinued funds to the general fund or contribution of internal service fund capital by the general fund.

RESOURCE COST MODEL: A system for funding education which is based on the cost of a district's individual characteristics and programs.

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RESTRICTED FUNDS: Moneys whose use is restricted by legal requirements or by the donor.

REVENUE LIMIT: The specific amount of state and local taxes a school district may receive per pupil for its general education program. Annual increases are determined by the Legislature. Categorical aid is granted in addition to the revenue limit.

REVENUES: The increases in fund financial resources other than from interfund transfers or debt issue proceeds. Revenues are the primary financial resource of a fund. Revenues are recognized when assets are increased without increasing liabilities or incurring an expenditure reimbursement.

REVOLVING CASH FUND: A stated amount of money used primarily for emergency or small disbursements and reimbursed periodically through properly documented expenditures, which are summarized and charged to property accounting classifications.

ROBBINS AMENDMENT (PROPOSITION 1): An amendment to the California Constitution, Article I, Section 7, passed in 1979 which restricts California courts to federal court interpretations when ordering changes in pupil school assignment or pupil transportation to alleviate school district segregation.

ROC/ROP: Regional Occupational Centers/Regional Occupational Programs established by a school district or group of school districts or county offices of education. The centers provide training for entry level jobs, counseling, and upgrading of skills for youths ages 16-18.

SB - SENATE BILLS (SB 90,1972; SB 90,1977; SB 154, SB 813): See Legislation.

SCHEDULES: Explanatory or supplementary statements that accompany the balance sheet or other financial statements.

SCHOOL IMPROVEMENT PLAN (SIP): Money granted by the state to selected schools to carry out a plan developed by the school site council for the improvement of their school's program.

SCHOOL SITE COUNCIL: Parents, students, teachers, and other staff selected by their peers to prepare a school improvement plan and assist in seeing that the planned activities are carried out and evaluated.

Glossary of Terms

SECURED ROLL: Assessed value of real property, such as land, buildings, secured personal property, or anything permanently attached to land, as determined by each county assessor.

SECURITIES: Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.

SELF-CONTAINED CLASSROOM: A classroom in which a teacher usually instructs one group of students in a majority of the instructional programs for a school year. Self-contained classrooms are usually found at the elementary school level.

SENIORITY: A statutory system for protecting the job security of employees who have the longest periods of service in a district. With certain exceptions, the seniority list is used to determine which employees will be the first to be laid off or rehired.

SERIAL ANNUITY BONDS: Serial bonds in which the annual installments of bond principal are so arranged that the combined payments of principal and interest are approximately the same each year.

SERIAL BONDS: Bonds whose principal is repaid in periodic installments over the life of the issue.

SERRANO VS. PRIEST: The California Supreme Court decision which declared the system of financing schools unconstitutional because it violated the Equal Protection clause of the State Constitution. The Court said that by 1980, the relative effort (tax rate) required of taxpayers for local schools must be nearly the same throughout the state and that differences in annual per pupil expenditures which were due to local wealth must be less than \$100.00. The impact of Proposition 13 resolved the taxpayer equity provision. In 1983, a court review determined that sufficient compliance in reducing expenditure disparities had been achieved.

SHARED REVENUE: Revenue that is levied by one governmental unit but that is shared, usually in proportion to the amount collected, with another unit of government or class of governments.

SHORT-TERM DEBT: Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes bond anticipation notes payable and tax anticipation notes payable.

Glossary of Terms

SHORTFALL: An insufficient allocation of money, requiring an additional appropriation or resulting in deficits.

SITE: The location of a school or a central administrative unit.

SOURCE DOCUMENT: Any voucher, invoice, or other data that support an entry in the accounting records.

SPECIAL EDUCATION: Programs to identify and meet the educational needs of exceptional children, such as those with learning or physical handicaps. PL 94142 requires that all handicapped children between 3 and 21 years be provided free and appropriate education.

SPECIAL REVENUE FUNDS: Funds established to account for the proceeds from specific revenue sources that (by law) are restricted to finance particular activities.

SPECIFICATIONS: Those particular qualities required of products or services.

SPLIT ROLL: A system for taxing business and industry property at a different rate from individual homeowners.

SQUEEZE: Restricting the revenue limit increases of higher spending districts in order to equalize per pupil revenues (eliminated in 1983-84).

STATE ALLOCATION BOARD: A state regulatory agency which controls certain state-aided capital outlay and deferred maintenance projects.

STATE SCHOOL FUND: A special revenue fund within the State Treasury used for apportionments to school districts and county superintendents, based on the revenue limit, and certain other special purpose apportionments. Apportionments are made by the State Controller and are based on certifications from the Department of Education.

STATE TEACHERS' RETIREMENT SYSTEM (STRS): State law requires school district employees, school districts, and the state to contribute to the fund.

STATEMENTS: (1) Used in a general sense, all of those formal written presentations which set forth financial information. 92) In technical accounting usage, those presentations of financial data which show the financial position and the results of financial operations of a fund, a group of accounts, or an entire LEA for a particular accounting period.

Glossary of Terms

STORES: Goods that are on hand in storerooms and subject to requisition.

STRS: See State Teachers' Retirement System.

STUDENT BODY FUND: A fund to control the receipts and the disbursements of student association activities.

SUBSIDIARY LEDGERS: A supporting ledger consisting of a group of accounts, the total of which is in agreement with a control account; e.g. the payroll ledger and the appropriations ledger.

SUBVENTION: provision of assistance or financial support, usually from a superior governmental unit; a grant.

SUMMARY: Consolidation of like items for accounting purposes.

SUNSET: The termination of the regulations for a program. The law lists a schedule for the Legislature to consider the sunset of many state categorical programs.

SUPPLY: A material item of an expendable nature that is consumed, wears out, or deteriorates in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

SURETY BOND: A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through non-performance or through defalcation; e.g. a surety bond given by a contractor or by an official who handles cash or securities.

SUSPENSE ACCOUNT: An account which carries charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted.

TAX ANTICIPATION NOTES: Notes issued in anticipation of collection of taxes, usually able to be retired only from tax collections and frequently only from the proceeds of the tax levy whose collection they anticipate.

TAX LIENS: Claims by governmental units on properties for which taxes levied remain unpaid.

TAX RATE: The amount of tax stated in terms of a unit of the base tax.

Glossary of Terms

TAX RATE LIMIT: The maximum rate of tax that a governmental unit may levy.

TAX REDEMPTION: Proceeds from the sale of tax-delinquent property.

TAX RELIEF SUBVENTIONS: Funds ordinarily paid to compensate for taxes lost because of tax relief measures.

TAX ROLLS: The list showing the amount of taxes levied against each taxpayer or property.

TAXES: Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

TAXES RECEIVABLE: An asset account representing the uncollected portion of taxes levied.

TENURE: A system of due process and employment guarantee for teachers. After serving a two-year probation period, teachers are assured continued employment in the school district unless specified procedures for dismissal or layoff are successfully followed.

TERM BONDS: Bonds whose entire principal matures on one date.

TRADE DISCOUNT: A reduction of the list price, usually expressed as a percentage and related to the volume of business transacted. (The term is not to be confused with cash discount).

TRAILER COACH FEES: Assessments collected from owners of trailer homes, which constitute personal property used in lieu of taxable real property.

TRANSFER: Inter-district or interfund payments or receipts not chargeable to expenditures or credited to revenue. Certain budget revisions are often referred to as transfers.

TRIAL BALANCE: A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balances agree with a control account, the ledgers from which the figures are taken are said to be "in balance".

Glossary of Terms

TRUST FUND: A fund used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

TUITION: An amount charged for educational services provided to a student.

TUITION TAX CREDITS: A reduction in state or federal income tax to offset a specified amount of money spent for tuition for private education.

UIA: See Urban Impact Aid.

UNENCUMBERED BALANCE: That portion of an appropriation or allotment not yet expended or obligated.

UNIFICATION: Joining together of all or part of an elementary school district (K-8) and high school district (K-12) with a single governing board.

UNIFIED SCHOOL DISTRICT: A school district serving students kindergarten through 12th grade, that is elementary and high school students.

UNIONIZATION: Joining together of two or more elementary or high school districts to form a single elementary or high school & district.

UNIT COST: The total expenditure for a product, program, or service divided by the total quantity obtained or some other quantitative measure; e.g. the total expenditure divided by the number of students equals the cost per student.

UNREALIZED REVENUE: Estimated revenue less revenue received to date; also, the estimated revenue for the remainder of the fiscal year.

UNSECURED ROLL: Assessed value of personal property other than secured property.

URBAN IMPACT AID (UIA): State aid to 19 large, metropolitan districts, expanded in 1984-84 to qualifying high school and elementary districts. The funds may be used for general purposes.

VOUCHER: A written document which evidences the propriety of transactions and usually indicates the amounts that are to be recorded.

Glossary of Terms

WARRANT: A written order, drawn by the LEA's governing board or its authorized officer(s) or employee(s) approved by the county superintendent of schools, and allowed by the county auditor, directed the county treasurer to pay a specified amount to a designated payee.

WARRANTS PAYABLE: The amount of warrants issued, outstanding, and unpaid from a salary or wage payment; an amount, specified by law or regulation, representing the individual's estimated federal or state income tax that the employer must pay to the taxing authority.

WORK IN PROCESS: The value of partially completed products manufactured or processed, such as a partially completed printing job.

WORK ORDER: A written authorization for the performance of a particular job containing a description of the nature and location of the job and specifications for the work that is to be performed. Such authorizations are usually assigned job numbers, and provision is made for accumulating and reporting labor, material, and other costs.