

# **Santee School District**

## **Remaining Resilient Amid Change**

**2011-12**

**Adopted Budget  
User Friendly Version**



# SANTEE SCHOOL DISTRICT

2011-12

User Friendly Budget

## Board of Education



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President



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Kristin Baranski – Director II Educational Services

Karl Christensen – Assistant Superintendent Business Services

Minnie Malin – Assistant Superintendent Human Resources & Pupil Services

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## Board President's Message



Approval of the budget is one of the most important actions taken by the Board of Education. The budget sets the direction for educational programs and services which support the District's Vision and Mission.

The 2011-2012 Adopted Budget does not contain major reductions in personnel or programs compared to 2010-11. During the previous two years, all Santee School District staff -- teachers, classified employees, and administrators -- agreed to take salary reductions thereby helping the District to save on costs and avoid additional cuts to programs and services. The Board greatly appreciates all of the personal sacrifices made by District staff that has allowed Santee to be in a better financial position than many school districts. The financial storm isn't over, but at least for this year, the winds are calmer.

The Board remains committed to providing the highest quality education possible for all Santee students. We appreciate the help and support of the Santee community in assuring that all Santee students are well prepared for the future.

Please visit the District web site at [www.santeesd.net](http://www.santeesd.net) to obtain the latest information on the District's budget.

Barbara Ryan  
President, Board of Education

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## Superintendent's Message



Adoption of the district budget is a critical action that impacts the strength of the educational program for students and determines the degree of overall operation of services offered by employees for students and their families. Santee Schools have provided an excellent education program to students over the past decade and this has been reflected in the results of student growth as determined by the State of California. All of Santee Schools are operating above the 800 API level which is classified by the State of California as highly effective. Regardless of the challenges the Santee School District has faced in the past, student achievement has been the primary focus when developing a budget for the coming school year.

Over the past three years Santee School District has been grappling with severe declines in revenue as a result of the current economic crisis at the State and National level. The economic times California schools face today are the most challenging since the Great Depression. During the past three years, Santee School District's expenditures have been reduced by \$6,200,000. The Board of Education has made some difficult decisions to reduce classified support and management positions and to not replace retiring teacher positions. All reductions have been made with a single focus in mind and that is to maintain the integrity and quality of the instructional program delivered to Santee School District students. As we proceed in these challenging times, the focus of delivering a quality instructional program will continue to determine our budget priorities. Our future is determined by our ability to help develop the young minds of today. They are our investment and Santee School District takes that very seriously in the development of its budget.

Adoption of the District's budget requires completion of a lengthy document called the SACS (Standardized Account Code Structure) Form, which is submitted to the County Office of Education and the State Department of Education for approval. Although this form is the "official budget," it is cumbersome and not very "user-friendly." Therefore, this user-friendly version was developed for the Governing Board to share the financial conditions of the District with the community and staff. The complete SACS document is on file in the Business Office at 9625 Cuyamaca Street, Santee CA, copies of which are available upon request.

Dr. Patrick Shaw  
Superintendent

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## Fiscal Philosophy

The District's philosophy of managing its finances and expending its resources is encapsulated in the charts on the next two pages. The first chart depicts the fact that the District must use its limited funds to purchase the following resources at the best prices:

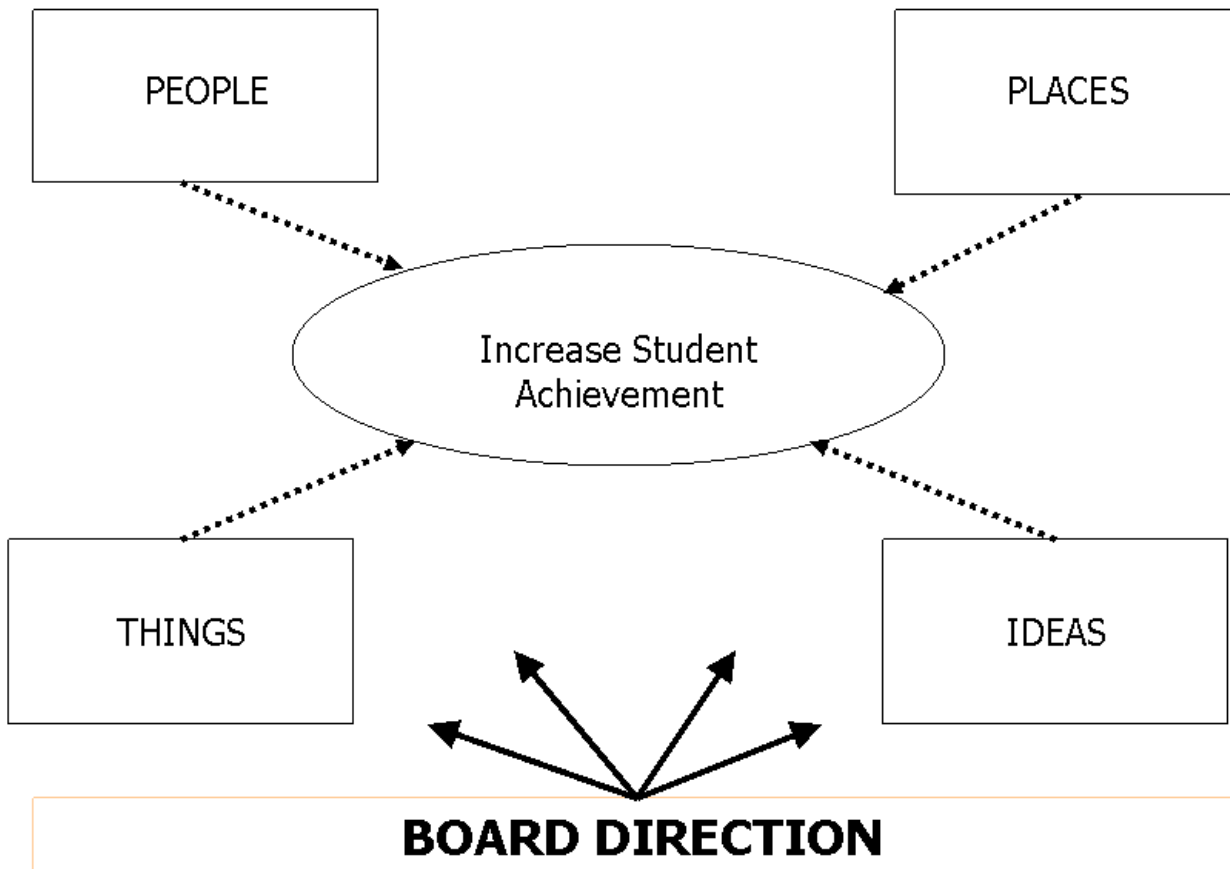
- ✓ **People** – Quality staff who are appreciated and paid justly and fairly
- ✓ **Places** – Facilities maintained in good repair and working order
- ✓ **Things** - Computers, printers, copiers, pencils, paper, textbooks, office supplies, and instructional supplies
- ✓ **Ideas** - Software, curriculum, and innovate teaching strategies

These resources are then focused on one over-arching goal: **increasing student achievement**. A public school district will never have enough funds to pay for everything wanted and needed. Therefore, the Board gives direction to administration, through the Budget document, as to its funding priorities and where the resources should be focused. At times, because of limited resources, these priorities are developed from a series of choices or trade-offs such as “do we increase salary for our People to attract and retain the best or do we buy more Things like computers to increase the use of instructional technology?” The Annual Adopted Budget then can be viewed as a tool by which the Board communicates its values and priorities for that year to staff and the community.

The second Fiscal Philosophy Chart depicts the way the District chooses to make the choices that it must regarding its finances. At the center is the Financial Purpose proclaiming that the District is proactive and takes its fiscal responsibility very seriously. To that end, the District's culture reflects certain values that drive decision-making. Specifically, District administration and the Board believe in accurately accounting for every dollar and fully disclosing information to stakeholders as it becomes available through constant monitoring and evaluation of data.

With these values as the foundation, the District then uses certain strategies to manage its finances and promote fiscal health. These strategies are divided into two categories: independent and dependent. The independent strategies are those that do not depend on other strategies for success. In other words, the District can actively **Maximize Revenues**, AND/OR **Minimize Costs**, AND/OR **Protect Assets** and be successful at any one or all of them. However, to be able to **Promote Flexibility** and give the District some choices in spending, **Focus Resources** in the areas of most importance, and **Reward Employees** with fair and just compensation, it must first be successful at doing all of the independent strategies. In other words, the District will find it difficult to have flexibility in spending to focus resources and reward employees if it doesn't first maximize revenues, minimize costs, and protect its assets.

## THE TARGET:



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## ---CORE VALUES---

**Accurate  
Accounting**

**Full  
Disclosure**

**Constant  
Monitoring**

**Honest  
Evaluation**



### *Financial Purpose:*

With integrity and honor, we proactively manage the finances of the District to promote fiscal health; considering every dollar precious in maximizing educational benefits to children consistent with the District's goals and objectives.

## ---STRATEGIES---

Independent:

**Maximize  
Revenues**

**Control  
Costs**

**Protect  
Assets**

Dependent:

**Promote  
Flexibility**

**Focus  
Resources**

**Reward  
Employees**



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## Budget Assumptions

The District's budget is developed each year using a set of assumptions. These assumptions represent the best-known information at the time of development and reflect the latest projections of funding from the State of California and the Federal Government. More than 40% of the State's budget goes toward funding for public education so the District's budget is based almost entirely on what is reported at the State level. Unfortunately, the adoption of the District's budget in June rarely coincides with the adoption of the State's budget. In the best of times, the State budget is adopted in July and in more contentious times it can be as late as September or even October before the State's budget is finalized. The District's Adopted Budget then is based on the latest report from the State outlining its intentions for the following year; otherwise known as the "May Revise."

While the May Revise generally reflects the final funding levels that will appear in the State's Adopted Budget, some changes do occur. Therefore, the District's Adopted Budget should be viewed as a preliminary snapshot of projected revenues and expenditures for the coming year, which may change when the State's final budget is approved. These changes are made using a series of budget revisions that are taken to the Board for approval throughout the year as more accurate information becomes available. The remainder of this User Friendly Budget document contains references to many of the most significant budget assumptions.

### Enrollment and ADA Trends

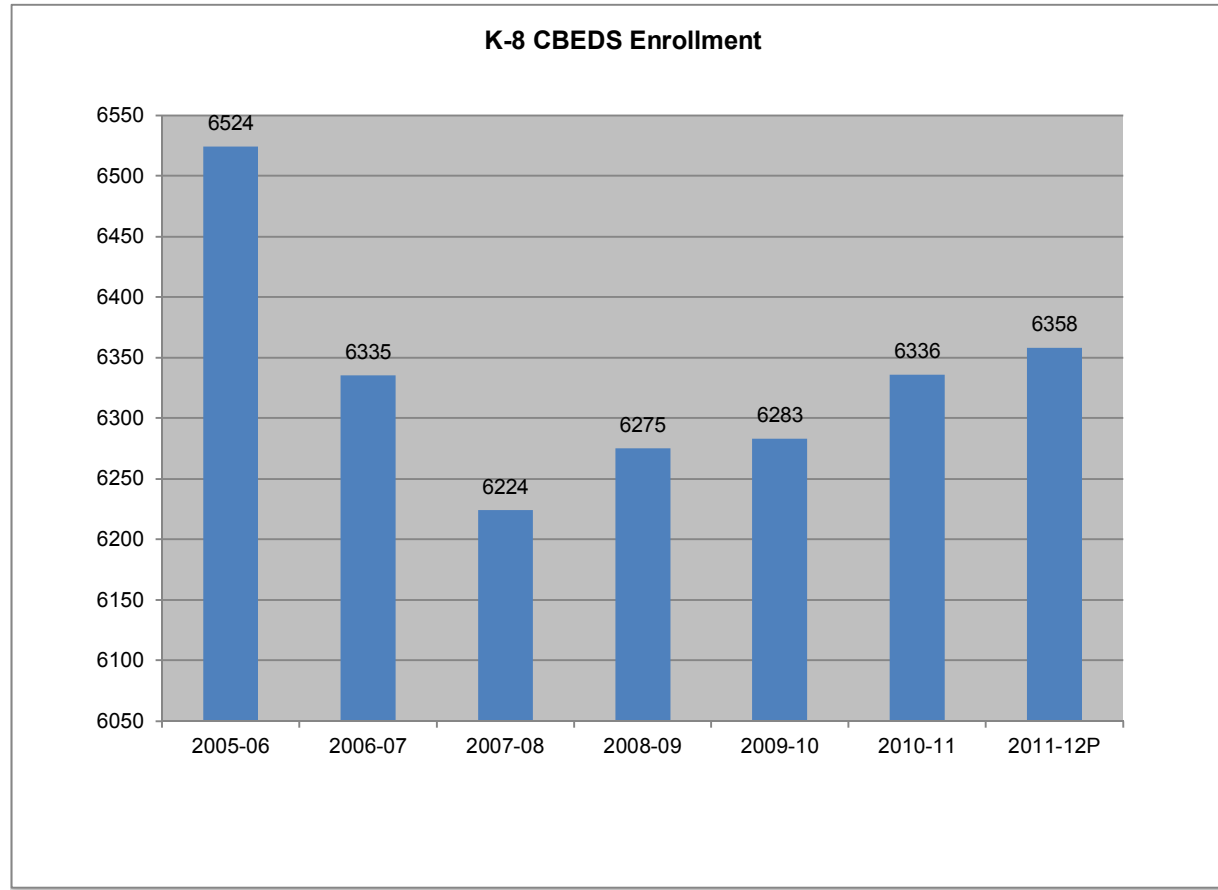
The interplay between the number of students enrolled in the District and the average number that actually attend on any given day can have serious consequences to the District's revenue. Over half of the revenue received in the District pertains directly to the actual attendance of students. Furthermore, the District only receives money for a student's attendance NOT for their enrollment. Therefore, the District monitors attendance trends and enrollment very closely. The following charts depict some historical trends related to enrollment and ADA (average daily attendance):

- 1) Total Enrollment as of the first week of October (CBEDS day or California Basic Education Data System) for previous years and the projected budget year.
- 2) Percentage Change in enrollment from year to year.
- 3) Enrollment by Grade Level for previous years and the projected budget year.
- 4) Enrollment and ADA for previous years and the projected budget year.

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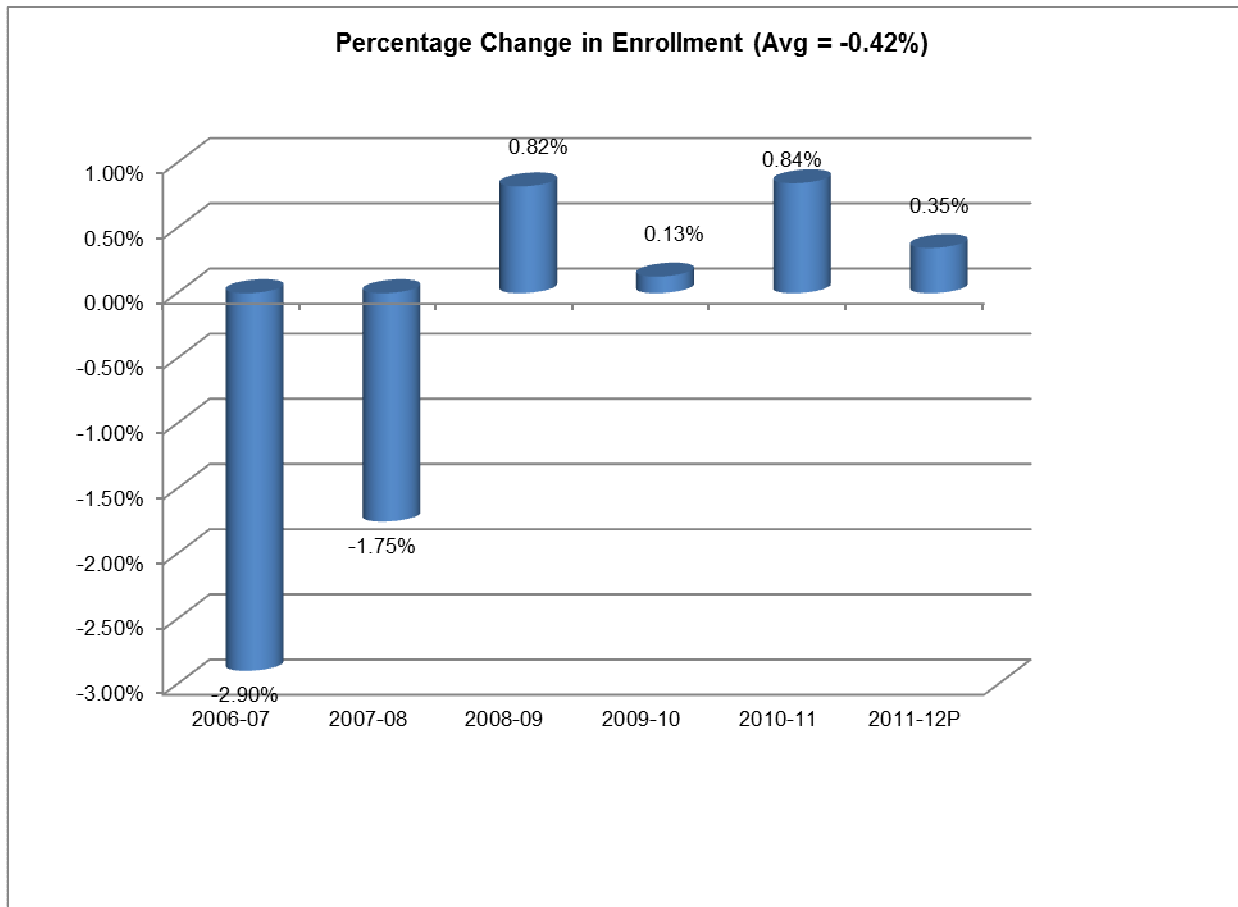
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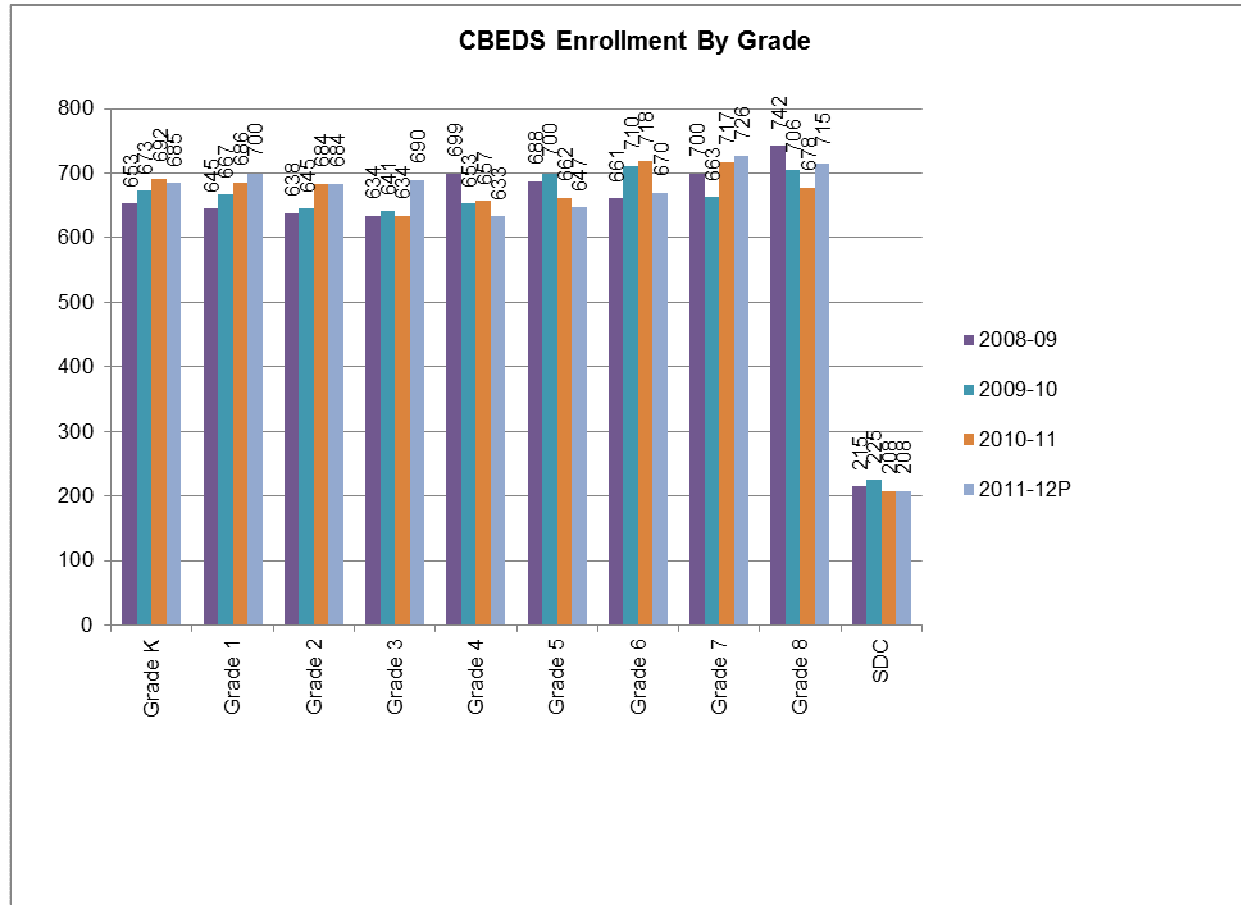
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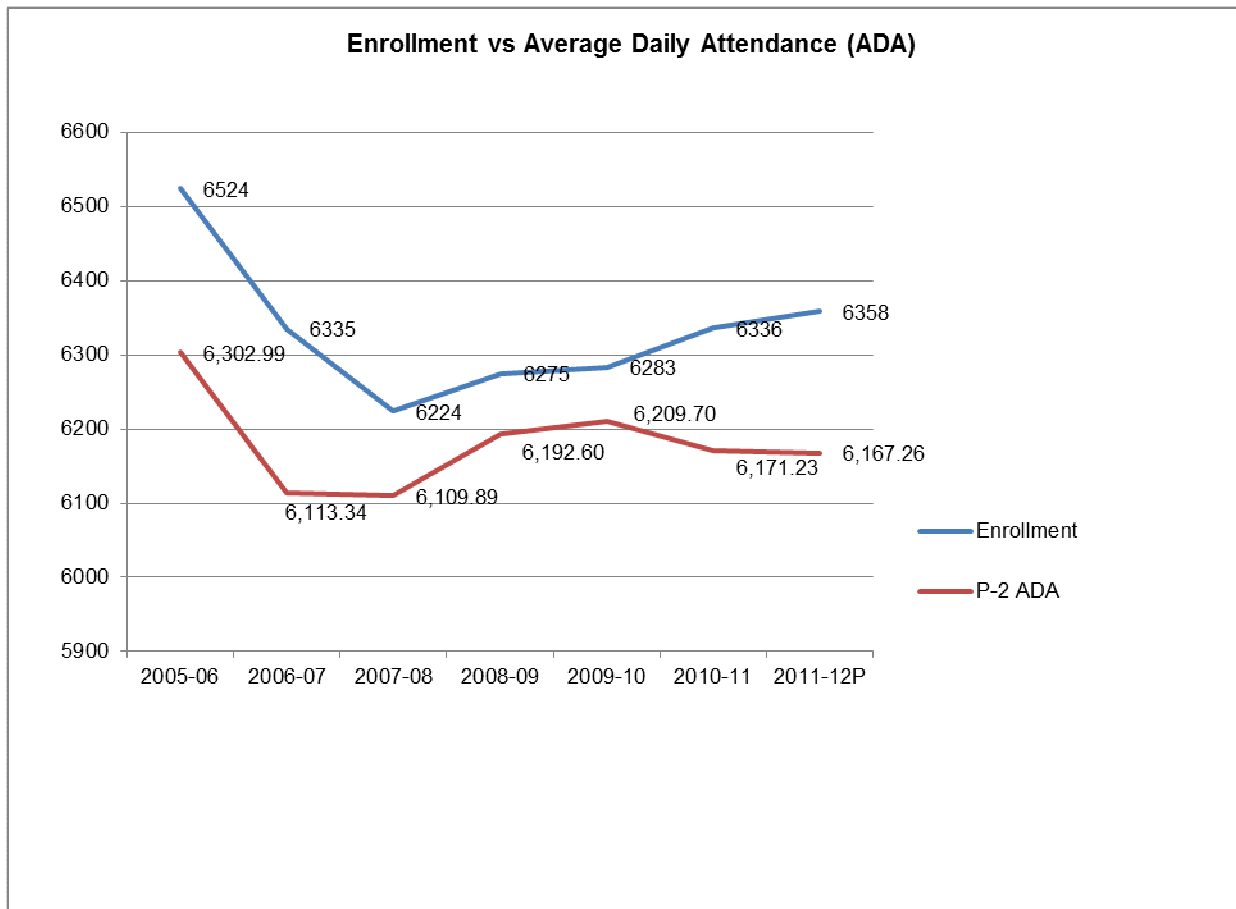
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## Fund Accounting

The District uses Fund Accounting methods, governed by the Governmental Accounting Standards Board (GASB), whereby funds are divided into separate “accounting entities,” each designating a separate and unique purpose for the monies accounted for within the fund. The funds currently maintained by the District and reported in the Adopted Budget are listed below:

<b>Fund Number</b>	<b>Fund Description</b>	<b>Fund Purpose</b>
3 and 6	General Fund	Reports the revenues and expenditures associated with the District’s general operations. This fund is sub-divided into Unrestricted (Fund 3) and Restricted (Fund 6) sources and uses.
12	CDC/State Preschool Fund	Reports the revenues and expenditures associated with the District’s Federal and State funded child development and preschool program.
13	Cafeteria Fund	Reports the revenues and expenditures associated with the District’s Federal and State funded program for feeding students breakfast, lunch, and snacks.
14	Deferred Maintenance Fund	Reports the revenues and expenditures associated with the District’s contribution and the State’s match for performing major repairs and maintenance of facilities. (SUSPENDED THRU 2014-15)
17	Special Reserve Other Than for Capital Outlay	Reports the revenues and expenditures associated with funds set aside by the Governing Board for economic uncertainties above the 3% required by law.
21	Building Fund	Reports the revenues and expenditures associated with General Obligation Bond proceeds.
25	Capital Facilities Fund	Reports the revenues and expenditures associated with the collection and use of Developer Fees and Redevelopment Agency Funds.
35	County School Facilities Fund	Reports the revenues and expenditures associated with monies received from the State School Facility Program for constructing and modernizing schools.
40	Special Reserve for Capital Outlay	Reports the revenues and expenditures associated with the District’s solar initiative.
63	Enterprise Fund	Reports the revenues and expenditures associated with funds received from participants in the District’s Out of Schooltime Programs.

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## Projected Revenues, Expenditures, and Changes To Fund Balance For All District Funds

The table on the next page is a snapshot of all District funds and the projected income, outgo, and change to the fund balance of each. Income includes funds received from outside sources (such as the Federal or State Government) as well as those received from other funds within the District. Outgo includes expenditures for salaries, benefits, books, equipment, debt service, and transfers to other funds within the District. It also includes indirect/direct costs credited to the Unrestricted General Fund and charged to other funds. This is usually done by calculating a percentage of the total expenditures of a special fund or restricted revenue source (this percentage is determined by the State and changes each year) and transferring these amounts to the Unrestricted General Fund. This essentially reimburses the Unrestricted General Fund (reduces its expenditures) for the administrative overhead costs incurred for the operation of the other funds or restricted revenue sources.

Outgo also includes a line item called “Contributions To Restricted Programs” which represents the amount the Unrestricted General Fund must supplement a Restricted Funding source in order for its revenue to equal its expenditures. Most programs within the District are required to be self-supporting (i.e. to make enough revenue to support their expenditures) but a few are not. These include Special Education, Home to School Transportation, and Special Education Transportation.



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Description				Child Dev Fund	Cafeteria Fund	Deferred Maint Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund 17	Special Reserve Fund 40	Enterprise Fund 63
	Unrest	General Fund Rest	Ttl									
<b>INCOME:</b>												
Revenue Limit Sources	30,314,828	1,262,530	31,577,357	0	0	0						
Federal Revenue	146,006	2,528,292	2,674,298	0	1,008,750	0					79,735	
Other State Revenue	4,766,867	945,826	5,712,693	217,147	62,500	0						
Other Local Revenue	180,517	3,283,329	3,463,846	60	705,250	0	79,732	352,427	0	17,118	180,965	2,652,970
Interfund Transfers In	0	0	0	32,871	0	0	0			0	122,746	
Other Sources	0	0	0	0	0	0	0					
<b>Total Income</b>	<b>35,408,218</b>	<b>8,019,976</b>	<b>43,428,195</b>	<b>250,078</b>	<b>1,776,500</b>	<b>0</b>	<b>79,732</b>	<b>352,427</b>	<b>0</b>	<b>17,118</b>	<b>383,446</b>	<b>2,652,970</b>
<b>OUTGO:</b>												
Certificated Salaries	19,180,789	4,306,965	23,487,754	97,514								
Classified Salaries	3,946,197	2,828,567	6,774,764	87,215	660,868	0						1,732,429
Employee Benefits	7,242,216	2,068,611	9,310,827	49,070	190,724	0						589,759
Books and Supplies	695,960	750,741	1,446,701	4,061	658,650	0	200,000					85,504
Services, Other Operating Expenses	2,325,833	749,316	3,075,149	700	-9,395	0	384,442	100,000			38,260	420,400
Capital Outlay	6,500	0	6,500	0	50,000	0	23,697,682	200,000				
Other Outgo	960,944	0	960,944					273,446			261,296	
Transfers of Indirect/Direct Costs	-778,069	684,358	-93,711	19,295	74,417							
Interfund Transfers Out	155,617	0	155,617									
Other Uses	0	0	0									
Contributions to Restricted Programs	2,996,558	-2,996,558	0	0	0							
<b>Total Outgo</b>	<b>36,732,544</b>	<b>8,392,000</b>	<b>45,124,544</b>	<b>257,855</b>	<b>1,625,264</b>	<b>0</b>	<b>24,282,124</b>	<b>573,446</b>	<b>0</b>	<b>0</b>	<b>299,556</b>	<b>2,828,092</b>
<b>Change in Fund Balance</b>	<b>-1,324,326</b>	<b>-372,023</b>	<b>-1,696,349</b>	<b>-7,776</b>	<b>151,236</b>	<b>0</b>	<b>-24,202,392</b>	<b>-221,020</b>	<b>0</b>	<b>17,118</b>	<b>83,890</b>	<b>-175,122</b>
Projected Beginning Fund Balance	8,843,924	442,774	9,286,698	7,777	912,951	120	25,429,690	948,490	0	2,853,080	335,537	323,925
<b>Projected Ending Fund Balance</b>	<b>7,519,598</b>	<b>70,750</b>	<b>7,590,348</b>	<b>1</b>	<b>1,064,187</b>	<b>120</b>	<b>1,227,298</b>	<b>727,470</b>	<b>0</b>	<b>2,870,198</b>	<b>419,427</b>	<b>148,803</b>
Committed Fund Balance	0	0	0									
Non-Spendable Fund Balance	417,128		417,128									
Restricted Fund Balance	0	70,750	70,750	1	1,064,187	0	1,227,298	727,470	0	0		148,803
Assigned Fund Balance	208,676		208,676									
Unassigned - Economic Uncertainty	3,390,242	0	3,390,242									
<b>Remaining Unassigned</b>	<b>3,503,551</b>	<b>0</b>	<b>3,503,551</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,870,198</b>	<b>419,427</b>	<b>0</b>

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## Projected Ending General Fund Balance

The projected ending fund balance is the accumulation of the differences between revenues and expenditures in previous years, the current year, and the budget year. Since the current year is not closed prior to development of the Adopted Budget, the ending fund balance for the current year is estimated based on the latest financial data and becomes the basis for the beginning fund balance in the budget year. Therefore, this balance is subject to change once the books are closed for the year.

A good indicator of financial health is the percentage of expenditures the District maintains in its ending fund balance. The higher this percentage, the more “cushion” the District has to guard against unexpected fluctuations in revenues or expenditures. Some portions of the ending funding balance must be reserved for specific purposes and are therefore considered non-discretionary. An analysis of Ending Fund Balances and components of it are presented in the following two pages:

1. Total Ending General Fund Balance as a Percentage of Total General Fund Outgo/Expenditures
2. Unrestricted General Fund Balance as a Percentage of Total Unrestricted General Fund Outgo/Expenditures
3. Analysis of Components of General Fund Balances

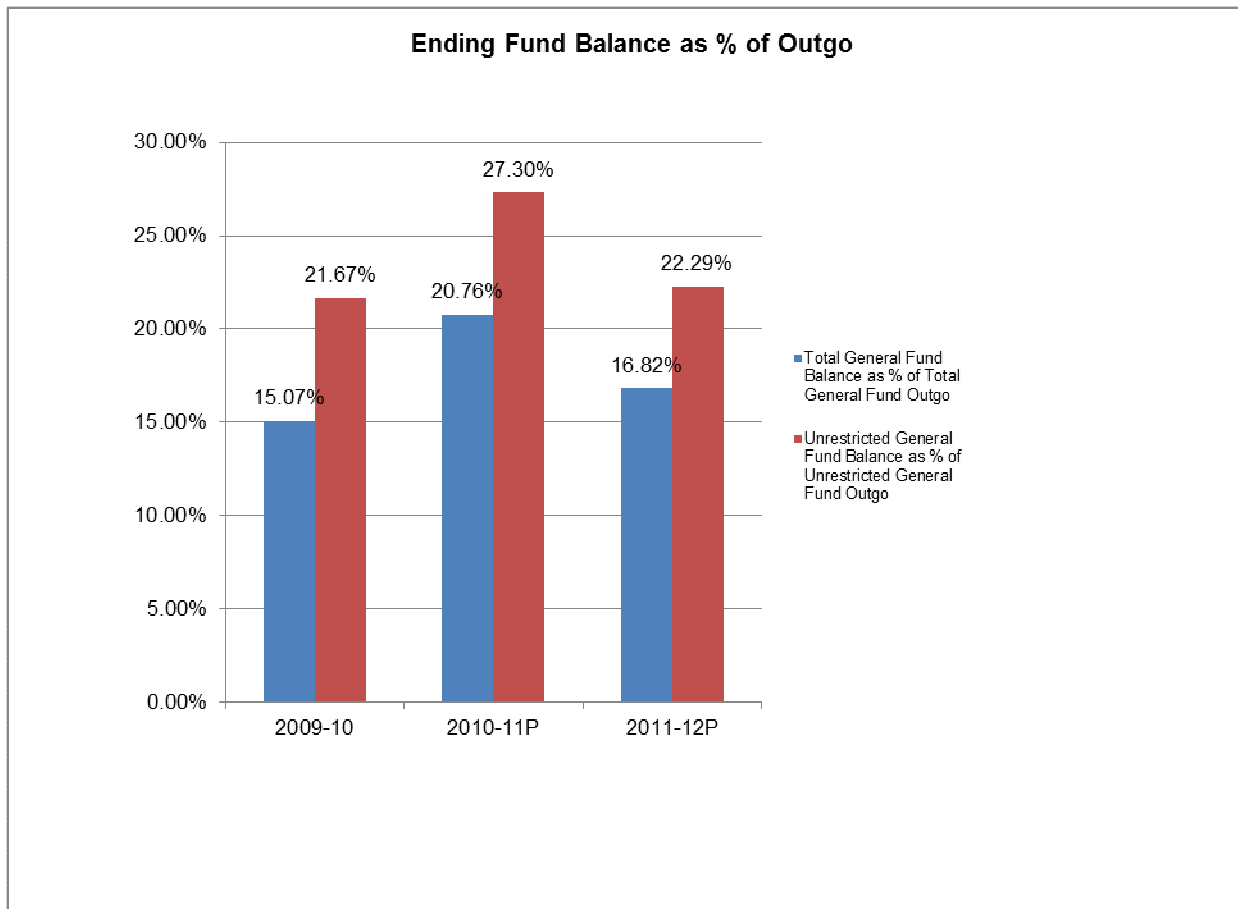
On March 11, 2009, the Governmental Accounting Standards Board (GASB) issued statement No. 54 which takes effect for financial statements for fiscal years issued after June 15, 2010. The purpose of this new accounting requirement is to enhance the usefulness of fund balance information by providing clearer classifications. GASB 54 incorporates the following five categories of fund balance:

- **Non-Spendable Fund Balance** - Amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory, pre-paid expenses, and revolving cash fund amounts.
- **Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- **Committed Fund Balance** - Amounts subject to internal constraints self-imposed by the District’s highest level of decision making authority. Commitments may be changed or lifted only by the Board of Education taking the same formal action that imposed the constraint originally.
- **Assigned Fund Balance** – Amounts the District intends to use for a specific purpose. Assignments may be established by the governing board or by a designee of the Board. Examples include site carry-overs and accrued vacation.
- **Unassigned Fund Balance** – Amounts representing the residual balance in the General Fund that has not been assigned to other funds and that are not in the other classifications. The Reserve For Economic Uncertainty falls into this classification.

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## Components of Ending General Fund Balance and Other Reserves

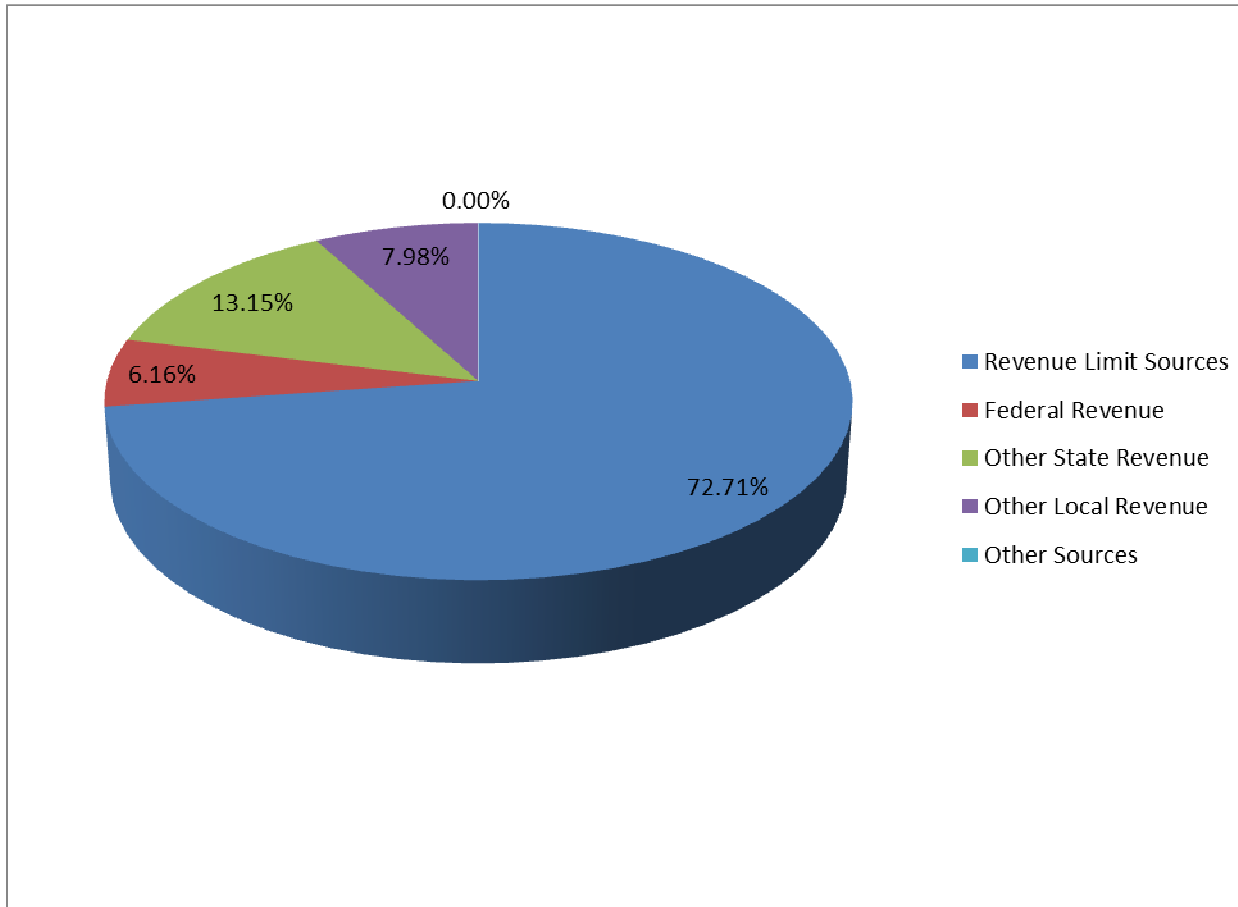
Description	Discretionary?	2011-12P		2010-11P		2009-10	
		% of Outgo	\$ Amt	% of Outgo	\$ Amt	% of Outgo	\$ Amt
Economic Uncertainty Reserve	No	3.00%	1,353,736	3.00%	1,341,946	3.00%	1,377,751
Vacation & Pre-Paid Expenditures	No	1.39%	625,804	1.40%	625,804	1.36%	625,804
School Unrestricted Carry-Overs	No	0.00%	0	0.00%	0	0.86%	393,168
Restricted Amounts/Categorical Carry-Overs	No	0.16%	70,750	0.99%	442,774	0.22%	101,959
Reserve for State Budget Uncertainty	Yes	4.51%	2,036,506	0.00%	0	0.00%	0
Fund 17 Balance	Yes	6.36%	2,870,198	6.38%	2,853,080	6.15%	2,824,831
Remaining Unassigned/Uncommitted	Yes	7.76%	3,503,551	15.37%	6,876,174	9.63%	4,420,378
<b>Total Fund Balances and Reserves</b>		<b>23.18%</b>	<b>10,460,546</b>	<b>27.14%</b>	<b>12,139,777</b>	<b>21.22%</b>	<b>9,743,892</b>

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## General Fund Sources Of Money



The adjacent chart depicts the relative amounts of the various sources of funds available for use in the General Fund for the budget year. These sources are:

1. **Revenue Limit Sources** – those monies received for the attendance of students. This money is derived from a dollar amount, which is adjusted each year, multiplied by average daily attendance or ADA (the average number of students in attendance on any one day) and is funded by local property taxes and State income taxes, corporate taxes, and sales taxes.
2. **Federal Revenue** – those monies received from the Federal Government.
3. **Other State Revenue** – non-revenue limit monies received from the State for other programs commonly referred to as Categorical Programs.
4. **Other Local Revenue** – non-revenue limit monies received from local sources.
5. **Other Sources** – those monies received from sources other than those listed above.

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## Revenue Categories

The table on the next page depicts the categorization of the various revenues to be received in the General Fund based on their allowed use and their expected duration. Unrestricted revenue sources are those that the District has discretion over using for any expenditure allowed by law. Restricted revenues are those that are designated to be used only for specific purposes or only on a designated population, as stipulated by the grantor or donor. On-going monies are those that can reasonably be expected to continue at about the same level or higher in future years. One-time monies are designated as such for one of four reasons:

- The funds are only given once by the grantor or donor with no obligation or commitment to continue the funding.
- The funds are subject to such volatility that their amount from year to year is relatively uncertain.
- The funding stream is expected to end in the near future.
- The funds are only released as the result of a competitive grant for which an application must be submitted and approved.

In general, it is not financially prudent to use one-time monies to fund on-going expenditures, such as salaries and benefits, unless the positions that are funded by the source will end at the same time the revenue stream ends.

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Q1: Unrestricted/On-Going Revenue		Q2: Unrestricted/One-Time Revenue		Q3: Restricted/On-Going Revenue		Q4: Restricted/One-Time Revenue	
Description	Amount	Description	Amount	Description	Amount	Description	Amount
State Aid Revenue Limit	20,844,086	Special Ed Mandate Settlement	0	Community Day Schl RL Transfer	30,368	Title II Educ Tech	8,563
Prop Taxes Revenue Limit	9,470,742	Other Local Revenue	122,505	Title I	463,692	Medi-CAL-Spend Arrears	0
M&O PL 81-879	96,006			IDEA Lcl Ent PI94-142	1,109,911	Early Mental Health Initiative	86,365
MAA	50,000			IDEA Preschl	93,302	Home Start	0
K-3 CSR = \$1,071/student	1,559,376			IDEA Preschl Loc Ent	146,730	HIPPY Corp Initiative	0
Lottery	718,415			IDEA Prschl Staff Dev	1,264	Title II Tchr Quality	179,742
Community Day Schl	72,445			Drug Free Schls	0	Title II Pt A Admin Training	2,649
Deferred Maint	230,077			Title III Imm Ed	13,020	Science Grant	70,000
CBET	13,536			Title III LEP	45,007		
Schl Safety & Viol Prev	39,964			Prop 20 Lottery	113,264		
Arts & Music Blk Grnt	89,541			Special Education From SELPA	3,085,149		
Supp Schl Counsel	130,706			Special Education Prop Taxes	188,038		
GATE	41,303			Special Education Revenue Limit	1,044,124		
IMFRP	341,466			Special Ed- Low Incidence	1,140		
PAR	25,306			Special Ed Personnel Staff Devel.	2,163		
SB472 Staff Dev	32,063			Economic Impact Aid	336,170		
Tchr Cred Blk Grnt	24,109			Gen Ed Transportation	225,562		
Prof Dev Blk Grnt	174,446			Spec Ed Transportation	123,431		
TIIG	576,719			ASES	230,250		
SLIBG	674,031			Santee Cares	394,411		
Staff Dev English Learner	11,025			Tobacco Use Prevention	25,662		
Administrator Training	7,278						
STAR Testing	10,638						
Hourly Programs	13,867						
Oral Health	4,667						
Other Local Revenue	33,902						
<b>Total Quadrant 1 Revenue</b>	<b>35,285,713</b>	<b>Total Quadrant 2 Revenue</b>	<b>122,505</b>	<b>Total Quadrant 3 Revenue</b>	<b>7,672,658</b>	<b>Total Quadrant 4 Revenue</b>	<b>347,318</b>
		<b>Total Unrestricted Revenue:</b>	<b>35,408,218</b>			<b>Total Restricted Revenue:</b>	<b>8,019,976</b>

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### Categorical Flexibility

In February 2009, amidst mounting fiscal pressures, the State enacted an unprecedented early budget for 2009-10 in conjunction with revisions to the 2008-09 Budget that included severe declines in Unrestricted General Fund dollars for school districts. To help districts mitigate some of the impact of these losses, the State also allowed many formerly restricted revenue sources to be treated as unrestricted through a mechanism called Categorical Flexibility. A list of the categorical programs for which flexibility is being used is described in the table below:

State Program Subject to Flexibility	Estimated 2011-12 Award	Flexibility Used	% Flex Used	Remaining for Program Expenditures	Flexibility Used in Unrestricted General Fund
Supplemental Hourly Instructional Prog	13,867	13,867	100.00%	0	Teacher salaries
Community Day School	72,445	0	0.00%	72,445	N/A
Deferred Maintenance	230,077	230,077	100.00%	0	Classified salaries
Community Based English Tutoring	13,536	13,536	100.00%	0	Teacher salaries
Schl Safty & Violnce Prevntn	39,964	10,000	25.02%	29,964	Teacher salaries
Arts & Music Block Grant	89,541	89,541	100.00%	0	Teacher salaries
Supplemental School Counseling	130,706	61,134	46.77%	69,572	N/A
GATE	41,303	0	0.00%	41,303	N/A
Instructnl Mtls Fund Realignment	341,466	213,000	62.38%	128,466	Teacher salaries
PAR	25,306	9,995	39.50%	15,311	Teacher salaries
SB472 Staff Development	32,063	32,063	100.00%	0	Teacher salaries
Admin Training	7,278	7,278	100.00%	0	Teacher salaries
Teacher Credentialing Blk Grant	24,109	0	0.00%	24,109	N/A
Profnl Developmnt Blk Grant	174,446	126,508	72.52%	47,938	Teacher salaries
Targeted Instructnl Imprvmnt Blk Grnt	576,719	106,325	18.44%	470,394	Classified salaries
School Library Imprvmnt Blk Grnt	674,031	400,000	59.34%	274,031	Teacher salaries
Staff Development English Learner	11,025	11,025	100.00%	0	Teacher salaries
<b>Total Flexibility Used</b>	<b>2,497,882</b>	<b>1,324,349</b>	<b>53.02%</b>	<b>1,173,533</b>	



# SANTEE SCHOOL DISTRICT

2011-12

User Friendly Budget

## Revenue Limit Funding

The largest single source of Unrestricted funding a school district receives to pay for its educational programs and operations is called Revenue Limit. Revenue Limit funding is based on a calculated amount per unit of student ADA (Average Daily Attendance). The amount per ADA is different depending on whether a district is *Elementary* (serving only students in grades K-8), *High School* (serving only students in grades 9–12), or *Unified* (serving students in grades K-12). Revenue Limit funding is paid to the District from the following sources:

1. Local Property Taxes
2. State Sales Taxes
3. State Personal Income Taxes
4. State Corporate Taxes

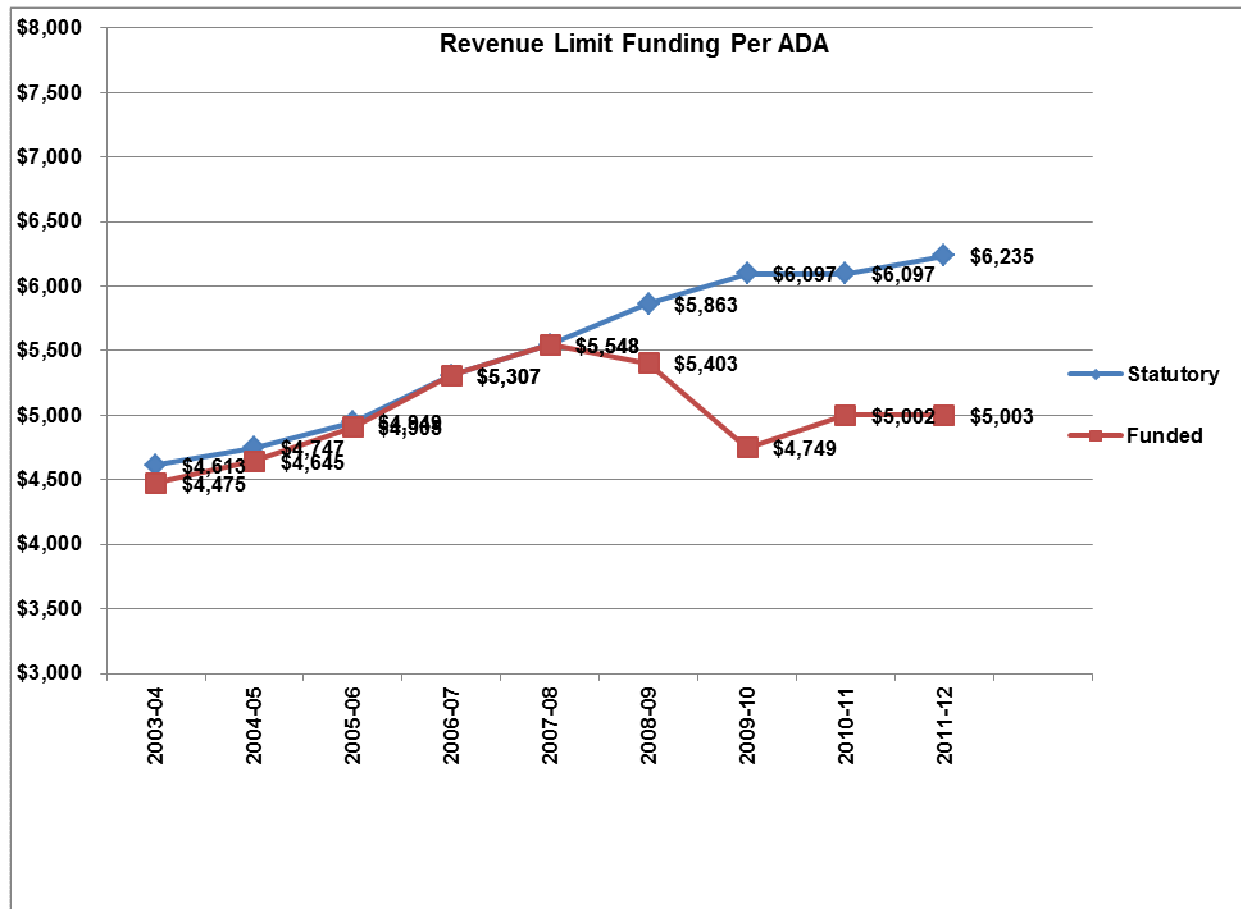
Since passage of Proposition 13 in 1978 which amended the State Constitution, Revenue Limit funding has been extremely volatile. In a normal year, the dollar amount per ADA received by a school district increases with a Cost of Living Adjustment or COLA. The COLA is calculated each year based on pre-determined variables written into law. These variables include an analysis of the average annual change in prices associated with expenditures necessary to operate a public agency and the resulting figure is known as the “*Statutory COLA*.” It is fundamentally unrelated to the Consumer Price Index or CPI which measures the average annual change in prices experienced by consumers or employees.

The COLA is intended to provide additional funding for school districts to pay for operating cost increases naturally experienced each year due to: salary augmentations for employees as the result of completing another year of service or obtaining additional educational credits (commonly known as Step & Column); increases in utility and fuel prices; upward trends in health benefit costs; and general inflation for most goods and services. However, receipt of the COLA is dependent upon the State’s ability to fund the increase and this ability is strongly influenced by changes in local Assessed Valuations (AV) of property (decreased or stagnant AV means the State must make up the difference in calculated Revenue Limit funding) and economic activity (downturns mean less Sales Taxes, Personal Income Taxes, and Corporate Taxes to pay for public education and other services). When the State decides to not pay its share of Revenue Limit funding, this shortfall is accumulated, and eventually paid back when conditions improve, in a figure known as the “Deficit Factor.” The Statutory COLA less the effect of the Deficit Factor is known as the “Funded COLA.” Due to the current severe economic crisis that is plaguing California, the Nation, and the World; the State has been unable to fund the Revenue Limit at the Statutory level and the current deficit factor stands at 19.754%. The chart on the following page depicts the differences in the Statutory COLA and the Funded COLA.

# SANTEE SCHOOL DISTRICT

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User Friendly Budget



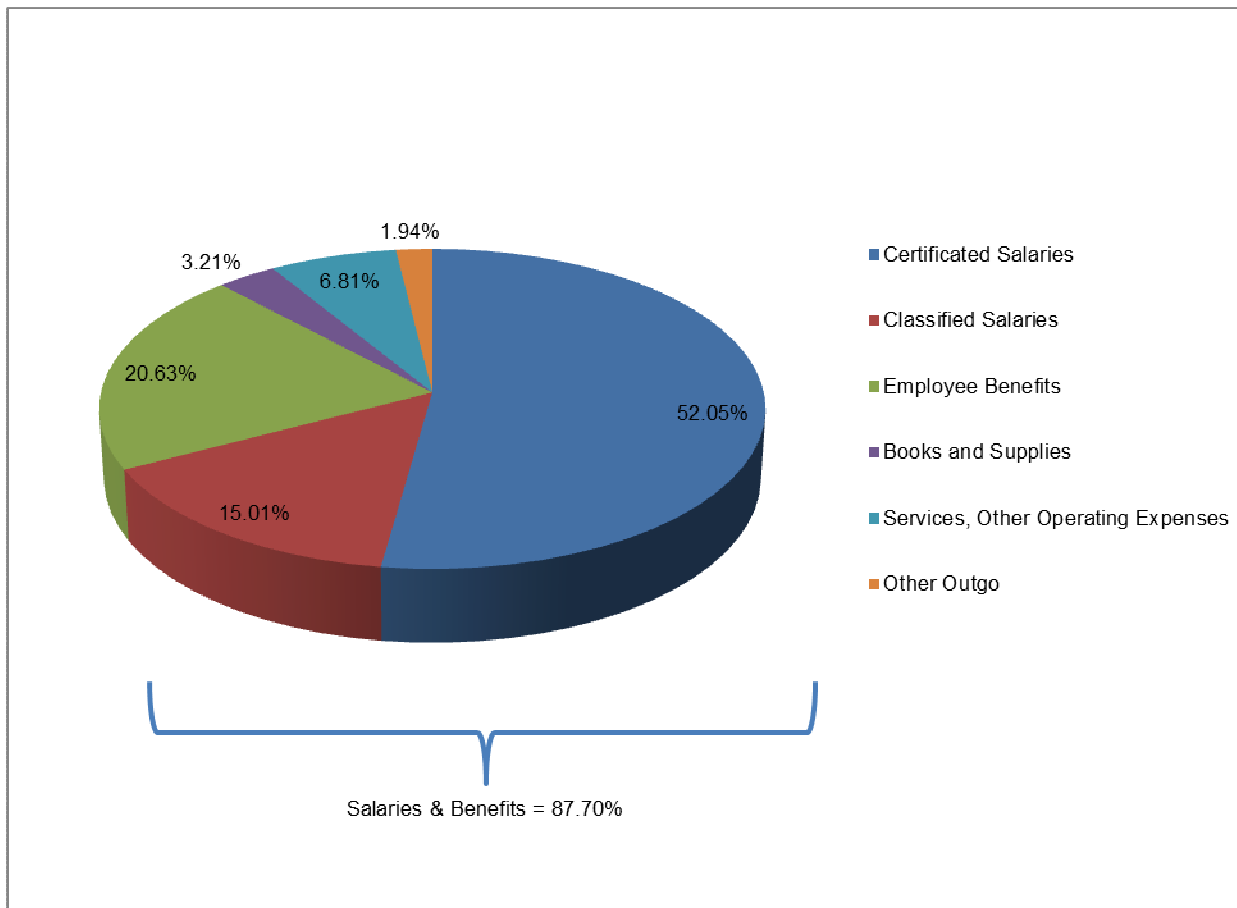
# SANTEE SCHOOL DISTRICT

2011-12

## User Friendly Budget

### General Fund Uses Of Money

The adjacent chart depicts the relative amounts of the various uses of funds in the General Fund for the budget year. These uses are:



1. **Certificated Salaries** – payments to employees whose jobs require State certification or credentials.
2. **Classified Salaries** – payments to employees whose jobs do not require State certification or credentials.
3. **Employee Benefits** – payments for benefits required by law or voluntarily provided by the District. This includes contributions to retirement programs, social security and medicare, State unemployment insurance, worker's compensation for work-related injuries, and health and wellness programs.
4. **Books and Supplies** – payments to vendors for the purchase of textbooks, library books, and supplies used for instruction or in offices.
5. **Services, Other Operating Expenses** – payments to vendors for professional or contracted services, utilities, phones, and insurance.
6. **Capital Outlay** – payments to vendors for the purchase of equipment, facilities, or facility upgrades costing \$5,000 or more per item.
7. **Other Outgo** – payments for debt service or transfers to other funds.

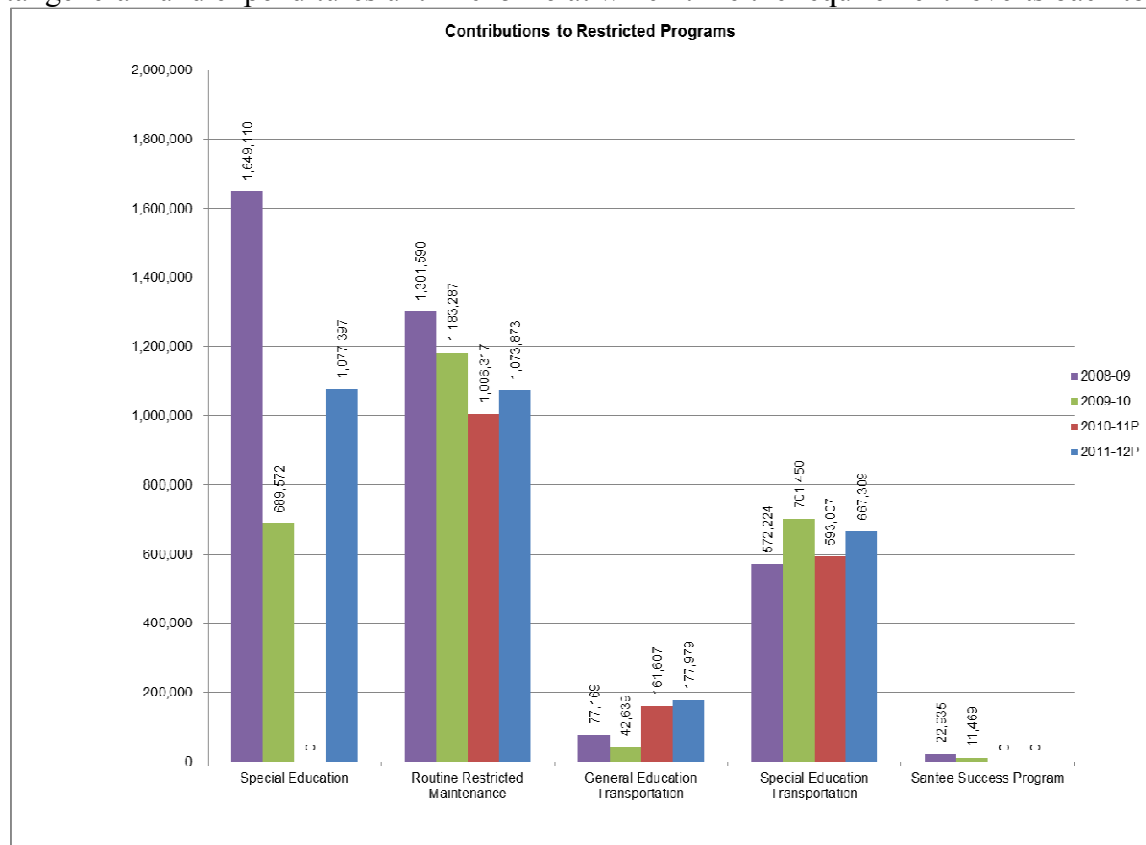
# SANTEE SCHOOL DISTRICT

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## Contributions To Restricted Programs By The Unrestricted General Fund

The programs, or restricted funds, that do not receive enough revenue from sources outside of the District to pay all of their expenditures are depicted on the chart below. The difference between revenue received for these programs and total expenditures is paid from the Unrestricted General Fund and is sometimes referred to as “Contributions to Restricted Programs.” In the case of Routine Restricted Maintenance, this contribution is required by law to be at least 1% of total general fund expenditures until 2015-16 at which time the requirement reverts back to 3%.



# SANTEE SCHOOL DISTRICT

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## School Budget Allocations

The table below depicts budget allocations to schools from various sources. With the exception of the General Fund allotment, these allocations are used to augment goods and services paid for by the District's General Fund for operations and core instructional programs. The "Gen Fund" (General Fund) allocation is an allotment based on enrollment provided for each school to pay for necessary office, health, library, and instructional supplies.

School	#	Gen Fund	AVID 0000-578	Title 1 3010	EIA 7090	GATE 7140/926	Prop 20 Lottery 6300	SLIBG 7395/946	Total
Pepper Drive	002	21,720		107,412	11,803	0	13,995	5,112	<b>160,041</b>
Carlton Hills	003	15,666	2,500	67,608	5,466	0	9,758	3,057	<b>104,056</b>
Sycamore Canyon	004	10,008			0	0	7,128	9,737	<b>26,873</b>
Prospect Ave	005	14,906		94,605	10,441	0	10,361	3,541	<b>133,854</b>
Cajon Park	006	31,941	2,500		22,142	12,172	19,256	22,204	<b>110,215</b>
Chet F Harritt	007	17,796		78,350	8,808	0	11,827	9,616	<b>126,397</b>
Carlton Oaks	008	27,043			0	11,839	16,344	24,457	<b>79,684</b>
Rio Seco	009	28,716	2,500		0	9,368	18,453	27,513	<b>86,551</b>
Hill Creek	010	23,849			24,795	0	15,642	30,099	<b>94,385</b>
Alternative Ed	015	1,004			0	0		944	<b>1,948</b>
Santee Success	016			1,211	0	0		59	<b>1,269</b>
ERC	068	16,321		42,632	231,925	6,579	15,000	112,683	<b>425,140</b>
OPEB Allocated Costs				12,000	11,000	142		4,500	<b>27,642</b>
Set-Asides		0		46,369				400,000	<b>446,369</b>
Indirect Costs		0		13,506	9,791	1,203	0	20,510	<b>45,010</b>
<b>Total</b>		<b>208,971</b>	<b>7,500</b>	<b>463,692</b>	<b>336,170</b>	<b>41,303</b>	<b>137,764</b>	<b>674,031</b>	<b>1,869,431</b>

### Multi-Year Projection

The District analyzes the affects of its decisions on the budget year and the subsequent two years in order to anticipate adjustments to revenues and expenditures that must be made before the budget year begins. These affects are derived by taking the budget year and projecting revenues and expenditures based on projected COLAs (Cost of Living Allowance), step & column increases for employees (those resulting from employees moving up on the salary schedule), negotiated salary increases, inflation, and other known or anticipated factors. Although this process is fraught with uncertainty, the method used helps the District to understand the ramifications of financial decisions on subsequent years. For example, negotiated salary increases not only affect the year in which the increase is made, it also compounds into future years. These factors must be considered in order to maintain financial health and flexibility.

It is important to note that the Multi-Year Projection is just that, a projection based on a set of assumptions known or anticipated at the time the projection is formulated. Therefore, it is not a forecast predicting future outcomes.

In addition to providing a Multi-Year Projection, Interim Reports also require one of three certifications:

- **POSITIVE:** The District CAN meet its financial obligations for the entire Multi-Year Projection period.
- **QUALIFIED:** The District MAY NOT be able to meet its financial obligations for the entire Multi-Year Projection period.
- **NEGATIVE:** The District WILL NOT be able to meet its financial obligations for the entire Multi-Year Projection period absent a State loan and intervention.

Although the District certifies one of the above, the County Office of Education, under Assembly Bill (AB) 1200 requirements, maintains fiscal oversight and may change a district's certification, if they deem it appropriate.

The tables on the next two pages display the best estimates available of the expected condition of the General Fund for the budget year and two subsequent years based on known factors and assumptions outlined in this User Friendly Budget document.

\*NOTE: Due to uncertainty regarding the outcome of the State Budget, \$330/ADA has been added to the Reserve for Economic Uncertainty which is doubled in 2012-13 and tripled in 2013-14 to reflect its on-going nature. A second table is included to show the results if this were eliminated.

# SANTEE SCHOOL DISTRICT

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User Friendly Budget

**Multi-Year Projection (With \$330/ADA Reserve for State Budget Uncertainty)**

Item	2010-11		2011-12		2012-13		2013-14	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$34,416,850	\$12,682,311	\$32,411,660	\$11,016,534	\$32,136,548	\$11,271,787	\$32,071,511	\$11,336,823
Total Outgo	\$32,390,027	\$12,341,496	\$33,735,986	\$11,388,558	\$34,380,276	\$11,311,375	\$35,201,312	\$11,348,287
<b>Change in Fund Balance</b>	<b>\$2,026,823</b>	<b>\$340,815</b>	<b>(\$1,324,326)</b>	<b>(\$372,023)</b>	<b>(\$2,243,728)</b>	<b>(\$39,588)</b>	<b>(\$3,129,800)</b>	<b>(\$11,464)</b>
Ending Fund Balance	\$8,843,924	\$442,774	\$7,519,598	\$70,750	\$5,275,870	\$31,162	\$2,146,069	\$19,698
Undesignated/Unappropriated	\$6,876,174	\$442,774	\$3,503,551	\$70,750	<b>(\$797,067)</b>	\$31,162	<b>(\$8,028,989)</b>	\$19,698
Economic Uncertainty Reserve	\$1,341,946		\$1,353,736		\$1,370,750		\$1,396,488	
Fund 17 Reserve	\$2,853,080		\$2,870,198		\$2,887,419		\$2,904,744	
Total Reserves	\$11,071,200		\$7,727,486		\$3,461,102		<b>(\$3,727,757)</b>	
Reserve as % of Expenditures	24.75%		17.12%		7.57%		-8.01%	

\*COLA = -0.39%, Def Fctr Red  
\*6,209.70 Funded ADA

\*NO COLA = 2.24%:\$665,108  
\*6,171.23 Funded ADA

\*NO COLA = 3.20%:\$952,013  
\*6,167.26 Funded ADA  
\*Step & Col = 723,437

\*NO COLA = 2.70%:\$803,229  
\*6,167.26 Funded ADA  
\*Step & Col = 723,437

# SANTEE SCHOOL DISTRICT

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User Friendly Budget

## Multi-Year Projection (Without \$330/ADA Reserve for State Budget Uncertainty)

Item	2010-11		2011-12		2012-13		2013-14	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$34,416,850	\$12,682,311	\$32,411,660	\$11,016,534	\$32,136,548	\$11,271,787	\$32,071,511	\$11,336,823
Total Outgo	\$32,390,027	\$12,341,496	\$33,735,986	\$11,388,558	\$34,380,276	\$11,311,375	\$35,201,312	\$11,348,287
<b>Change in Fund Balance</b>	<b>\$2,026,823</b>	<b>\$340,815</b>	<b>(\$1,324,326)</b>	<b>(\$372,023)</b>	<b>(\$2,243,728)</b>	<b>(\$39,588)</b>	<b>(\$3,129,800)</b>	<b>(\$11,464)</b>
Ending Fund Balance	\$8,843,924	\$442,774	\$7,519,598	\$70,750	\$5,275,870	\$31,162	\$2,146,069	\$19,698
Undesignated/Unappropriated	\$6,876,174	\$442,774	\$5,540,057	\$70,750	\$3,274,635	\$31,162	\$114,414	\$19,698
Economic Uncertainty Reserve	\$1,341,946		\$1,353,736		\$1,370,750		\$1,396,488	
Fund 17 Reserve	\$2,853,080		\$2,870,198		\$2,887,419		\$2,904,744	
Total Reserves	\$11,071,200		\$9,763,992		\$7,532,804		\$4,415,646	
Reserve as % of Expenditures	24.75%		21.64%		16.49%		9.49%	

\*COLA = -0.39%, Def Fctr Red  
\*6,209.70 Funded ADA

\*NO COLA = 2.24%:\$665,108  
\*6,171.23 Funded ADA

\*NO COLA = 3.20%:\$952,013  
\*6,167.26 Funded ADA  
\*Step & Col = 723,437

\*NO COLA = 2.70%:\$803,229  
\*6,167.26 Funded ADA  
\*Step & Col = 723,437



# SANTEE SCHOOL DISTRICT

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## Long-Term Debt

Long-term debt is defined as those financial obligations that will not be paid in one year. These include General Obligation Bonds, Certificates of Participation, leases, and other term loans. The chart below depicts the District's outstanding long-term debt and the amount of funds needed to satisfy principal and interest payments for the budget year:

Description	Beginning Balance	Additions	Payments	Principal	Interest	Accreted Interest	Ending Balance	Source
Series A GO Bonds - 5-1-1997	17,565,000.00		838,237.50	0.00	838,237.50		17,565,000.00	Prop Tax Levy
Series B GO Bonds - 8-20-2008	12,295,955.40		740,542.50	135,686.60	604,855.90	27,036.90	12,187,305.70	Prop Tax Levy
Series C GO Bonds - 8-20-2008	3,164,440.50		30,000.00	21,424.20	8,575.80	64,282.90	3,207,299.20	Prop Tax Levy
Series D GO Bonds - 8-20-2008	8,535,947.15		0.00	0.00	0.00	3,269.05	8,539,216.20	Prop Tax Levy
Series E GO Bonds - 5-1-2011	3,534,306.75		0.00	0.00	0.00	0.00	3,534,306.75	Prop Tax Levy
<b>Total GO Bonds</b>	<b>45,095,649.80</b>	<b>0.00</b>	<b>1,608,780.00</b>	<b>157,110.80</b>	<b>1,451,669.20</b>	<b>94,588.85</b>	<b>45,033,127.85</b>	
CREBs 6-2-10	2,125,000.00		181,561.50	140,000.00	41,561.50	0.00	1,985,000.00	
2008 COPS - 10-7-2008	23,714,460.89		1,234,390.00	10,000.00	1,224,390.00	15,509.78	23,719,970.67	General Fund
<b>Total COPS</b>	<b>25,839,460.89</b>	<b>0.00</b>	<b>1,415,951.50</b>	<b>150,000.00</b>	<b>1,265,951.50</b>	<b>15,509.78</b>	<b>25,704,970.67</b>	
<b>Total Property Indebtedness</b>	<b>70,935,110.69</b>	<b>0.00</b>	<b>3,024,731.50</b>	<b>307,110.80</b>	<b>2,717,620.70</b>	<b>110,098.63</b>	<b>70,738,098.52</b>	
OPEB Unfunded Accrued Liability*	14,486,779.00		0.00	0.00	0.00		14,486,779.00	General Fund
QZAB (Due Nov 2020)	5,000,000.00		0.00	0.00	0.00		5,000,000.00	Trust Acct Deposit
Retirement Incentives	2,764,979.12		1,016,396.27	865,212.34	151,183.93		1,899,766.78	General Fund
Vacation Carry-Over	208,676.00		0.00	0.00	0.00		208,676.00	General Fund
Capital Lease	0.00		0.00	0.00	0.00		0.00	General Fund
<b>Total Other</b>	<b>22,460,434.12</b>	<b>0.00</b>	<b>1,016,396.27</b>	<b>865,212.34</b>	<b>151,183.93</b>	<b>0.00</b>	<b>21,595,221.78</b>	
<b>Total Long-Term Debt</b>	<b>93,395,544.81</b>	<b>0.00</b>	<b>4,041,127.77</b>	<b>1,172,323.14</b>	<b>2,868,804.63</b>	<b>110,098.63</b>	<b>92,333,320.30</b>	

### Cash Flow

The District projects and monitors the flow of cash into and out of its General Fund in order to ensure that there is an adequate cash balance in any given month to pay its bills when they become due. This task has become even more crucial in recent years as the State continues to defer more and more revenue payments owed to school districts into future months, and in some cases into the subsequent fiscal year. The largest outflow of cash is for payroll expenditures paid at the end of each month and because the timing of cash receipts is often misaligned with cash disbursement schedules, the District must plan ahead and use temporary borrowing mechanisms in months when expected cash receipts are deferred.

The District has four available methods for short-term cash borrowing:

- 1) **Internal Borrowing:** The District can borrow monies from certain of its other funds for temporary transfer into the General Fund. If the transfer occurs 120 or more days from the end of the fiscal year (June 30), then the amount borrowed must be repaid to the lending fund on or before June 30. If the transfer occurs less than 120 days from the end of the fiscal year, then the amount borrowed must be repaid before the end of the subsequent fiscal year. Except for amounts borrowed from General Obligation Bond funds, Internal Borrowing requires no payment of interest.
- 2) **Tax Revenue Anticipation Note (TRAN):** The District can issue a particular type of short-term debt instrument, called a TRANs, at the beginning of a fiscal year under very stringent IRS rules. There are additional costs for issuance and payment of interest. To be considered a tax exempt instrument, the District must re-pay the notes on or before the last day of the same fiscal year in which the notes are issued. In some limited cases, the District can issue TRANs to cross fiscal years but the borrowing costs are much higher.
- 3) **County Office of Education Loan:** The District can borrow from the County Office of Education to the extent that they have available funds. However, since County Offices typically face the same type of revenue restrictions and declines as school districts, it is rare for them to have available cash to lend. There are additional costs for interest.
- 4) **County Treasury Loan:** The District can borrow from the County Treasury to the extent of available funds and typically only up to 85% of expected future tax receipts. Generally, the debt must be repaid before the end of the same fiscal year in which the funds are borrowed. However, in recent years the County Treasury has developed a program for Inter-Year borrowing so that the amount borrowed can be paid back in the subsequent fiscal year. There are additional costs for interest.

The table on the following page depicts the projected Cash Flows in the General Fund for the budget year:



### 6 Keys To Analyzing Fiscal Health

- 1. Is there deficit spending (i.e. do expenditures exceed revenues)?** – This can be determined by referencing line 22 of the table on Page 16. If this amount is negative, it reveals deficit spending. If this amount is positive, it reveals surplus spending. Deficit spending can be expected on the Restricted side of the General Fund, since schools and departments often carry-over categorical funding into the next year and combine it with revenue for that year in order to make larger purchases. However, deficit spending on the Unrestricted side can have serious consequences, since this requires the District to dip into reserves (accumulations of the excess of revenues over expenditures in past years) to meet its obligations and cannot be continued if fiscal health is to be maintained.
- 2. What programs are encroaching on the Unrestricted General Fund and by how much?** – This can be determined by analyzing the chart on page 27.
- 3. Have reserves been established for unfunded liabilities and funds to be used for specific purposes?** – This can be determined by referencing Line 27 of the table on page 16.
- 4. Have sufficient reserves been established for Economic Uncertainties?** – This can be determined by referencing Line 25 of the table on page 16. Pursuant to State requirements, this amount must be at least 3% of the total General Fund expenditures.
- 5. Are one-time monies, or fluctuating monies, being used to fund recurring expenditures?** – This can be partially determined by comparing the total Unrestricted/On-Going Revenues reported on page 22 to the total Unrestricted/On-Going Salaries and Benefits, Supplies, Services, and Debt Service reported on Lines 10, 11, 12, 13, 14, and 16 of the table on page 16 in the Unrestricted column. If the expenditures from this analysis exceed the revenues, this can indicate that one-time monies are being used to fund recurring expenditures. This same analysis can be done with the Restricted/On-Going Revenues and Restricted Salaries and Benefits. However, there are times when one-time monies from Restricted sources will be used to pay for salaries and benefits that are expected to end when the program funding ends.
- 6. Do multi-year projections indicate that the District will be able to meet its obligations for the budget year and the subsequent 2 years?** This can be determined by referencing the tables on Page 30 and 31. If the Undesignated/Unappropriated Fund Balance in all 3 years is positive or the Reserve as a % of Expenditures exceeds 3%, this indicates the District can meet its obligations. If Undesignated/Unappropriated Fund Balance is negative or the Reserve is less than 3%, it indicates that the District will either have to increase revenues or reduce expenditures in those years to meet its financial obligations.

### Reading The Standardized Account Code Structure (SACS) Forms

Reading and understanding a school district's budget document can be cumbersome and confusing. The State of California mandates the forms and methods to be used when adopting and reporting budget information at the following intervals:

- Adopted Budget – June for the subsequent budget year
- First Interim Report – December as of October 31<sup>st</sup>
- Second Interim Report – March as of January 31<sup>st</sup>
- Third Interim Report – June as of April 30<sup>th</sup> (only required if Second Interim is “Qualified” or “Negative”)
- Unaudited Actuals – September as of June 30<sup>th</sup>

The following information should help the reader of these documents to identify the important numbers that summarize a school district's financial condition:

#### 1. Form 01 – General Fund

- a. *Check Line D1a on page 1.* Are there large transfers in that are supporting operations?
- b. *Check Line D1b on page 1.* Are there large transfers out indicating the General Fund's support of other funds or programs?
- c. *Check Line D3 on page 1.* Are contributions to other programs excessive? Are they growing or declining?
- d. *Check Line E on page 2.* Is there a surplus (more received than spent) or a deficit (more spent than received)?
- e. *Check Line F2b on page 2.* Is at least the minimum required for the District (3% of total General Fund outgo) reserved? Are there other appropriate amounts reserved that have been specified for particular purposes?
- f. *Check Line F2c on page 2.* Is the Undesignated/Unreserved Fund balance positive and sufficient to absorb other unforeseen circumstances?

#### 2. Form 12 – Child Development Fund

- a. *Check Line D1a on page 1.* Are there large transfers in indicating support from other funds?
- b. *Check Line D1b on page 1.* Are there large transfers out? Why?
- c. *Check Line E on page 2.* Is there a surplus (more received than spent) or a deficit (more spent than received)?
- d. *Check Line F2 on page 2.* Is the fund balance zero or positive?

#### 3. Form 13 – Cafeteria Fund

- a. *Check Line D1a on page 1.* Are there large transfers in indicating support from other funds?
- b. *Check Line D1b on page 1.* Are there large transfers out? Why?
- c. *Check Line E on page 2.* Is there a surplus (more received than spent) or a deficit (more spent than received)?
- d. *Check Line F2 on page 2.* Is the fund balance sufficient to support on-going operations, including equipment replacement?

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## 4. Other Funds

- a. **Check Line E on page 2.** Is there a surplus (more received than spent) or a deficit (more spent than received)? Is the surplus too large indicating that not enough funds are being spent?
- b. **Check Line F2 on page 2.** Is the fund balance sufficiently positive but not too large?

## 5. Form A. Is the District's ADA increasing or declining?

## 6. Adopted Budget and Unaudited Actuals ONLY

- a. **Form DEBT** – How much long term debt does the District have?
- b. **Form NCMOE** – Did the District meet its Maintenance of Effort requirement for No Child Left Behind?
- c. **Report SEMA** – Are the Special Ed expenditures paid from state and local sources higher than previous year in total or per capita?
- d. **Report SEMB** - Are the Special Ed expenditures paid from state and local sources higher than previous year in total or per capita?
- e. **Report GSNA** – Are the District's net assets (Total Assets minus Total Liabilities) positive or negative? Are net assets growing or declining?

## 7. **Technical Review Checks/Standards & Criteria** – Are tests Passed or Failed? For failed tests, are explanations reasonable and accurate?

### Glossary Of Terms

1. **ADA** – Average daily attendance determined by taking the total of number of days students are present at school and dividing by the number of school days in the period measured. This figure is used to determine a school district's Revenue Limit income, the single largest source of revenue in the General Fund.
2. **CBEDS** – California Basic Educational Data System. Refers to a count of enrollment as of the first school day in October.
3. **COLA** – Cost of living allowance calculated each year by the State of California that measures the change in the cost of operating a public agency. The measurement includes changes in all costs including utilities, insurance, Health & Welfare, statutory benefits, supplies, and salaries.
4. **COPS** – Certificates of Participation issued by a public entity as debt to be paid back from a designated revenue stream.
5. **CPI** – Consumer Price Index which measures the increased cost of goods and services to an employee over a period of time.
6. **Deficit Spending** – Outgo (expenditures) exceeding Income (revenue) in a particular year. This reduces ending fund balance.
7. **Fund Balance** – The accumulation of income in excess of outgo since inception of the fund.
8. **GO Bonds** – General obligation bonds issued by a public entity to be paid back over time from property tax revenue.
9. **Lottery** – Funding received by school districts from the State of California from earnings from all Lottery games. 50% of the amount of Lottery Revenue received goes to school districts in 2 forms: UNRESTRICTED which can be used for any purpose and, RESTRICTED which must be used only for instructional materials.
10. **One-Time Revenue** – Funds that are only expected to be received in one year or that fluctuate enough from year to year that amounts are uncertain.
11. **On-Going Revenue** – Funds that are expected to be received in multiple years at a fairly steady and known rate.
12. **Proposition 98** – A 1988 voter-approved amendment establishing the minimum amount of funding for K-14 education in the State.
13. **Restricted Revenue** – Funds received from sources that stipulate how the funds must be used.
14. **Step & Column** – Automatic increases in salaries for employees as a result of moving up and over on the salary schedule. Step increases are automatic every year for completing another year of service. Column increases occur as a result of an employee obtaining sufficient units or credits at a college or university.
15. **Surplus Spending** – Income (revenue) exceeding Outgo (expenditures) in a particular year. This increases ending fund balance.
16. **Unrestricted Revenue** – Funds received from sources that do not require the funds to be spent on a particular purpose. In general, these funds can be spent for any lawful purpose and typically go toward the payment of salaries and benefits for teachers, office staff, and administrators; as well as for most operational expenses such as utilities, insurance, etc.