

Detroit Public Schools

Proposed 2005 Budget Review



June 25, 2004

Prepared By:
Detroit Public Schools
Division of Finance
Office of Budget

PROPOSED DRAFT



Detroit Public Schools
Proposed 2005 Budget Review
(For the Fiscal Year July 1, 2004 – June 30, 2005)

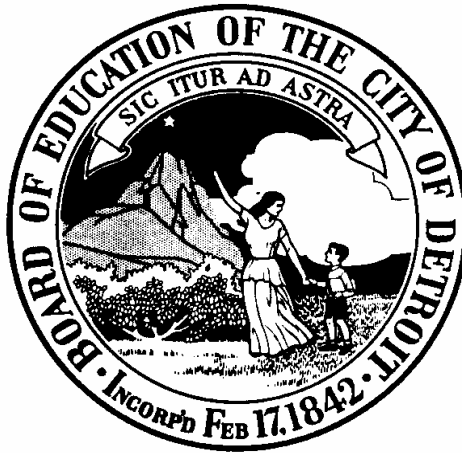
Kenneth Stephen Burnley, Ph.D,
Chief Executive Officer

Robert F. Moore
Senior Deputy Chief Executive Officer

Dori A. Freelain
Interim Chief Financial Officer

Mary S. Ellis
Budget Director

For additional information regarding the District's financial results, readers should refer to the Comprehensive Annual Financial Report (CAFR) (located on the District's website) for the fiscal year ended June 30, 2003, which includes audited financial statements.



Detroit Public Schools Board of Education

Honorable William C. Brooks, Chairman
Honorable Gerald K. Smith Ed.D., Secretary
Honorable Belda Garza
Honorable Michael F. Tenbusch
Honorable Tom Watkins
Honorable Geneva J. Williams



**Detroit
Public
Schools**

June 25, 2004

Dr. Kenneth S. Burnley, CEO

Detroit Public Schools
Detroit, Michigan

We are hereby submitting a draft of the Proposed 2005 Budget Review, for the fiscal year ending June 30, 2005. This plan is our assessment and recommendations concerning the allocation of our available resources in compliance with all applicable Michigan state laws and regulations and Michigan Department of Education guidelines and statutory requirements. Supplemental information will be available during the district's public hearing. This document, along with the budget presentation document, will be posted on the School District web site at various times during the year to provide public access and viewing. A balanced budget is presented for each of the District's funds.

Current Financial Trends

- ◆ Student enrollment continues to decline for the District. Since the fall of 2000, we are now forecasting a loss of 23,675 funded pupils. For fiscal year ending 2005, the loss represents 5,876 funded pupils alone.
- ◆ In an attempt to provide alternatives for those students requiring a different learning path, the district is actively pursuing a "Second Chance Program". The projected student enrollment would be 1,200 students at six (6) sites. The budget being designed for this item will be considered budget neutral.
- ◆ The state of Michigan is projecting a \$1.5 billion shortfall for the 2004-2005 fiscal year. The recent State funding trends is a critical factor facing this District. The District continues to provide quality services in areas that are not always provided with the full funding levels

necessary for the programs. Some examples include Special Education, ESL (English as a Second Language), and NCLB (No Child Left Behind).

- ◆ The economic impact of the Charter Schools and the population trends in the City of Detroit will continue to erode the District's financial ability to support all programming needs.

The school financing concerns, along with the trends in student data has forced the district to balance this proposed budget based on significant reductions and reallocations from existing programs and services. This budget is developed with the assumption that all required staff reductions are implemented by July 1, labor contract negotiations will provide assistance, class size requirements are maintained and a re-allocation of available resources are completed.

We would like to thank you and the Board of Education for your commitment and support for the students, staff and community partners and the overall support provided to the Division of Finance, Office of Budget in the development of this document.

Respectfully submitted,

Dori A. Freelain
Interim Chief Financial Officer

Mary S. Ellis
Director-Office
Of Budget



FINANCIAL POLICIES & PROCEDURES 2005

PROPOSED BUDGET REVIEW — FY2005

FINANCIAL POLICIES AND PROCEDURES

The following financial policies are consistent with State, Federal and local regulations:

Budget Standards

Each annual budget must be prepared consistent with Generally Accepted Accounting Principles. Each budget must also be balanced such that in each fund total revenues are greater than or equal to appropriations. These policies reflect the District's commitment to preparing its budget on a basis consistent with the highest financial standards and to balancing its budget every year.

Personnel Policies

All appointments of management level personnel shall be subject to the Chief Executive Officer's (CEO) approval. All salary increases must be approved by the Division Head, the Budget Director, or Chief Financial Officer (or designee), the Chief Human Resources Officer and the CEO.

Accounting Policy

The following is a summary of significant accounting policies followed in the preparation of the combined financial statements of the District.

Fund Accounting

The financial activities of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity.

Basis of Accounting

The accounts are maintained using the modified accrual basis. Under the accrual basis of accounting, revenues are recorded when received, except where they are measurable and available and, therefore, represent resources which may be appropriated. Expenditures are generally recognized when the related liability is incurred.

Property Taxes

Property taxes are recorded as revenue when collected or if collected within sixty days after the fiscal year-end. Taxes levied and not collected within sixty days after the fiscal year-end are recorded as taxes receivable.

Property taxes are assessed as of the preceding December 31. Approximately one-half of such taxes are levied and become a lien on July 1, and the balance is levied and becomes a lien on December 1. These taxes are due on August 15 and January 15, respectively. In its role as tax collection agent for the District,

PROPOSED BUDGET REVIEW — FY2005

the City of Detroit is responsible for the collection of the delinquent taxes along with the County.

As a result of the passage of a constitutional amendment by the voters of the State of Michigan on March 15, 1994, the District's financing structure was reorganized effective for the fiscal year ended June 30, 1995. The reorganization of school financing shifted a portion of the District's revenue sources from locally levied and collected property taxes to the State of Michigan, received in the form of a foundation allowance. The State foundation allowance is the primary basis of revenue.

Pension Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System, now known as Office of Retirement Services (ORS), under which employees are entitled to certain defined benefits established by state statute. Currently, school districts are required by state statute to contribute 12.97% of eligible wages to the plan. On January 1, 2005 the required contribution will be approximately 14.55%.

Internal Control/Funds Transfer Policy

The Detroit Public Schools' financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of the District from loss, theft, or misuse. Officials also ensure that reliable accounting data are available for the timely preparation of all financial statements.

Budget transfers between programs are permitted. This allows flexibility and provides budgetary control for managing supervisors. The Transfer of Funds Policy is intended to streamline management processes while emphasizing the importance of budget management.

Funds may be transferred between funds, between departments or between objects. Transfers require approval from the Chief Financial Officer and/or the Department Head, depending on the transfer type, Budget Director, and CEO. Central administration offices and schools are allowed to transfer funds between objects, with approval of the Budget Director.

BUDGET DEVELOPMENT PROCESS 2005



PROPOSED BUDGET REVIEW — FY2005

Importance of the Budget

Budgeting is basically a planning process and no plan can anticipate currently unknown factors. This budget includes provisions for all factors that could be reasonably anticipated, and modifications will be made as needs change during the year. The budget authorizes the original entries in the accounting system and establishes a legal framework for payroll, personnel and purchasing operations. In short, budgeting is an indispensable part of sound and proper administrative planning and accountability.

It is the budget which provides schools and other operating units with the approved official document indicating the authorized organizational structure, staffing patterns and material resources that may be used in delivering services to students within legal and financial limitations. It is important to the smooth conduct of the administrative and operational activities that such a document be available to all throughout the district. It provides a common reference point essential to proper and expeditious processing and recording of the day-to-day transactions necessary for the placement of personnel and the delivery of materials as well as the documentation required in after-the-fact audit and evaluation of district activities. It is important to the schools and operating units in so far as it serves to indicate in advance what shall be the approved uses of resources.

Also, the budget approach and its implementation in any given year must recognize ongoing service arrangements, existing organizational structure and operating methods, any one of which may not be entirely satisfactory for most desirable results. Improvements must come over a long-range period. However, the budget development procedures provided are designed to obtain maximum participation in seeking such improvements by personnel of the District at all levels.

In preparation and presentation of the budget, each administrator of the District, from the school principal to the Chief Executive Officer, is given an opportunity to present his or her management proposals and ideas in concrete terms to higher levels of decision-making within the organization. The process of preparing and reviewing the budget presents an excellent opportunity to justify operational programs, to propose changes in service, and to recommend revisions in organizational structure and work methods.

While such changes are continually considered as part of day-to-day administration, the budget places a definite emphasis on such concerns. A complete and well-documented budget inspires public confidence and provides the administrator with one of the most important devices for directing the activities for which he or she is responsible.

PROPOSED BUDGET REVIEW — FY2005
GENERAL FUND STRIP
FY2005 PROPOSED BUDGET AS OF JULY 1, 2004

Budget Administration

1. The adopted budget reflects the current salaries in effect. Additional allocations will be made centrally, if necessary, to implement any future negotiated union contracts that occur during the school year.
2. The retirement percentage for the 2004-2005 is approximately at 14.87%. The preliminary fringe rate for positions is estimated at 42%.
3. The CEO is authorized to:
 - a. reallocate any excess revenues received during the year. Such reallocations shall be for one-time non-recurring non-salary purposes only.
 - b. reallocate and expend savings that may occur during the year in centrally budgeted accounts. Such reallocations and expenditures shall be for one-time non-recurring salary and non-salary projects and activities.
4. The CEO must approve all allocations from the Fund Balance. The Fund Balance is used for the following purposes:
 - a. Enrollment shifts that could occur after the Fourth Wednesday counts that establish the need for additional instructional service and supplies;
 - b. Initiatives that will occur during the school year, but an exact amount or the allocation of an amount is not known prior to the adoption of the budget;
 - c. Contingency for unforeseen events that may occur throughout the school year.
5. CEO must approve all changes in student enrollment numbers.
6. Changes and amendments to the adopted budget (total revenues and total expenditures for all programs and funds) will be made based on the following budget amendment process :
 - a. The Budget Department receives budget revisions and recommendations.
 - b. Suggested budget revisions will be reviewed and recommended adjustments will be forwarded to the Cabinet representatives for their review and input.
 - c. Based on Cabinet's input the Budget Department will prepare a revised budget and submit it to the CEO for approval.
 - d. The Budget department will implement the revised budget upon CEO approval.



GENERAL FUND STRIP

PROPOSED BUDGET REVIEW — FY2005

**GENERAL FUND STRIP
PROJECTED ACTUALS AS OF JUNE 30, 2004**

	General Fund 11	Grants Fund 12	Adult Education 13	Special Education 22	Print Shop 82	Insurance Reserve 88	Risk Management 89	Total Gen Fund Strip
Projected Revenues								
Revenues	\$ 1,051,243,590	\$ 289,187,740	\$ 4,330,645	\$ 147,416,918	\$ 2,091,047	\$ 150,000,000		\$ 1,644,269,940
Transfers In				41,617,210			14,168,171	55,785,381
Interfund activity reversals						(139,500,000)		(139,500,000)
Total Revenues and Transfers In	1,051,243,590	289,187,740	4,330,645	189,034,128	2,091,047.15	10,500,000	14,168,171	1,560,555,321
Projected Expenditures								
Salaries	653,796,113	150,885,015	1,366,429	133,337,224	222,978		1,591,377	941,199,136
Taxes	36,139,855	24,772,874	100,512	10,149,268	16,519		117,367	71,296,395
Fringes	189,571,345	37,873,895	385,561	37,622,495	77,936		553,425	266,084,657
Purchased Services	83,817,291	23,188,813	1,385,578	4,814,569	2,064,866	139,500,000	11,782,981	266,554,098
Textbooks	26,413,577	28,275,887	(29,721)	2,271,704				56,931,447
Supplies	17,479,805	8,448,043	13,023	457,395	125,278	6,667	82,853	26,613,064
Capital Outlay	10,799,225	6,182,153	2,258	293,944		38,668	38,439	17,354,687
Utilities	31,575,585							31,575,585
Telecommunications	9,306,658	3,236						9,309,894
Miscellaneous	8,880,024	9,537,147	3,694	87,529			1,729	18,510,123
Principal and Interest	5,311,942							5,311,942
Expenditure Adjustments								
Payroll accrual for June 29th and 30th (includes MPSERS and FICA)	4,127,538							4,127,538
Total Expenditures Before Transfers	1,077,218,958	289,167,063	3,227,333	189,034,128	2,507,577	139,545,335	14,168,171	1,714,868,565
Transfers Out								
Transfer to Fund 22	41,617,210							41,617,210
Transfer to Fund 21	2,608,200							2,608,200
Transfer to Fund 89	14,168,171							14,168,171
Total Transfers out	58,393,580							58,393,580
Interfund activity reversals						(139,500,000)		(139,500,000)
Total Expenditures	1,135,612,538	289,167,063	3,227,333	189,034,128	2,507,577	45,335	14,168,171	1,633,762,145
Excess of Revenue Over Expenditures	(84,368,948)	20,677	1,103,312	0	(416,530)	10,454,665	0	(73,206,824)
Beginning Fund Balance as of June 30, 2003	83,665,821	(6,915,198)	7,656,047	(1,987,521)				
Beginning Fund Balance Fund 23	651,911							
Beginning Fund Balance Fund 81	(8,421,054)							
Total Beginning Fund Balance	75,896,678	(6,915,198)	7,656,047	(1,987,521)	-	-	-	74,650,006
Ending Fund Balance as of June 30 2004	\$ (8,472,270.1)	\$ (6,894,521.3)	\$ 8,759,359	\$ (1,987,521)	\$ (416,530)	\$ 10,454,665	0	\$ 1,443,182

**PROPOSED BUDGET REVIEW — FY2005
GENERAL FUND STRIP
FY2005 PROPOSED BUDGET AS OF JULY 1, 2004**

	Total Gen Fund Strip Projected Actuals FY 2004 11	General Fund 11	Grants Fund 12	Adult Education 13	Special Education 22	Insurance Reserve 88	Risk Management 89	Total Gen Fund Strip FY 2005
Projected Revenues								
Revenues	\$1,644,269,940	1,014,019,401	\$292,725,560	\$4,030,835	\$151,000,000	\$165,000,000		\$1,626,775,796
Transfers In	55,785,381				72,700,000		20,000,000	\$92,700,000
Interfund activity reversals (FUND 88)	(139,500,000)					(163,902,244)		(163,902,244)
Total Revenues and Transfers In	1,560,555,321	1,014,019,401	292,725,560	4,030,835	223,700,000	1,097,756	20,000,000	1,555,573,552
Projected Expenditures								
Salaries	941,199,136	528,141,921	154,895,015	1,012,641	149,947,933		1,503,607	835,501,117
Benefits	337,381,052	206,551,520	57,636,769	347,289	61,079,277		670,425	326,285,280
Purchased Services	266,554,098	77,912,374	26,588,813	2,617,330	7,249,303	163,902,244	17,748,194	296,018,258
Textbooks	56,931,447	25,274,344	28,000,000		1,685,341			54,959,685
Supplies	26,613,064	17,000,000	9,422,810	16,575	3,160,244	76,100	67,774	29,743,503
Capital Outlay	17,354,687	11,430,443	6,182,153	5,000	550,406	25,000	10,000	18,203,002
Utilities	31,575,585	34,857,581						34,857,581
Telecommunications	9,309,894	9,425,940						9,425,940
Miscellaneous	18,510,123	2,187,878	10,000,000	32,000	27,496			12,247,374
Principal and Interest	5,311,942	3,910,000						3,910,000
Expenditure Adjustments								
Payroll accrual for June 29 th and 30 th (includes MPSERS and FICA)	4,127,538							
Total Expenditures Before Transfers	1,714,868,566	\$916,692,001	\$292,725,560	\$4,030,835	\$223,700,000	\$164,003,344	\$20,000,000	1,621,151,740
Transfers Out								
Transfer to Fund 22	41,617,210	72,700,000						72,700,000
Transfer to Fund 21	2,608,200	1,608,000						1,608,000
Transfer to Fund 26		1,000,000						1,000,000
Transfer to Fund 89	14,168,171	20,000,000						20,000,000
Total Transfers out	58,393,581	95,308,000						95,308,000
Interfund activity reversals (FUND 88)	(139,500,000)					(163,902,244)		(163,902,244)
Total Expenditures	1,633,762,147	1,012,000,001	292,725,560	4,030,835	223,700,000	101,100	20,000,000	1,552,557,496
Excess of Revenue Over Expenditures	(73,206,824)	2,019,400	-	-	-	996,656	-	3,016,056
Beginning Fund Balance	74,650,006							\$ 1,443,182
Reserve for repayment of uncollectible delinquent taxes								(2,000,000)
Ending Fund Balance	\$1,443,182							\$ 2,459,238



GENERAL OPERATING FUND (FUND 11)

The General Fund is used to account for overall operating activities of the District, and includes all revenues and expenditures not designated to other funds. The primary sources of revenue are the state foundation allowance and local property taxes.

PROPOSED BUDGET REVIEW — FY2005

GENERAL FUND (11)
July 1, 2004

	FY 2003 Actuals	FY 2004 Adopted	FY 2004 Revised	FY 2004 Projected Actuals	FY 2005 Proposed
Budget Projections Based on					
Blended Enrollment Count					
	157003			150415	144538
Revenues:					
Local Sources					
Property Taxes (2)	\$ 74,715,066	\$ 80,000,000	\$ 82,970,963	\$ 82,970,963	\$ 72,971,468
Tuition	707,441	130,000	534,964	534,964	545,000
Earnings on Investments	1,849,862	1,800,000	859,966	859,966	900,000
Durant	5,930,443	5,930,443	5,930,443	5,930,443	5,930,443
Other Local Revenue	-	1,785,000	5,513,594	5,513,594	4,536,300
Total Local Sources	83,202,812	89,645,443	95,809,930	95,809,930	84,883,211
State Sources:					
State Aid Foundation (1)	992,568,740	957,042,621	929,975,590	929,975,590	902,653,428
Charter Schools (3)	-	11,328,336	305,114	305,114	311,216
Other State Revenue	-		4,958,285	4,958,285	2,615,499
Total State Sources	992,568,740	968,370,957	935,238,989	935,238,989	905,580,143
Federal Sources:					
Federal Sources	10,786,688	19,381,384	8,444,545	8,444,545	9,319,079
Other:					
Indirect Costs Reimbursement	5,996,005	-	11,750,128	11,750,128	14,236,968
Sale of Capital Assets	9,071,440	-	-	-	-
Total Other	15,067,445	-	11,750,128	11,750,128	14,236,968
Total Revenue	\$ 1,101,625,685	\$ 1,077,397,784	\$ 1,051,243,592	\$ 1,051,243,592	\$ 1,014,019,401
Expenditures:					
Salaries (5)	631,089,812	621,216,032	621,216,032	657,923,651	528,141,921
Benefits (4)	223,916,174	202,174,686	202,174,686	225,711,200	206,551,520
Purchased Services	144,428,788	103,664,487	95,275,103	83,817,291	77,912,374
Textbooks		27,000,000	27,000,000	26,413,577	25,274,344
Supplies	46,420,855	23,878,589	26,522,424	17,479,805	17,000,000
Capital Outlay (6)	12,029,081	3,833,163	6,357,398	10,799,225	11,430,443
Utilities		33,600,000	37,681,401	31,575,585	34,857,581
Telecommunications	17,962,086	11,000,000	9,454,919	9,306,658	9,425,940
Miscellaneous		10,335,106	9,430,603	8,880,024	2,187,878
Principal Retirement	3,280,000				
Payment of Interest	555,141	3,334,500	3,360,000	5,311,942	3,910,000
Transfers Out	55,519,651	108,694,968	98,121,080	58,393,580	95,308,000
Total Expenditures	\$ 1,135,201,588	\$ 1,148,731,531	\$ 1,136,593,646	\$ 1,135,612,538	\$ 1,012,000,001

Note(s)

1. The District is faced with a drastic reduction in resources due to:
 - a) Decline in student enrollment over a three-year period; therefore, decrease in State Aid Foundation allowance

2. Decrease in property taxes is attributed to the treatment of the SB700 property tax revenues. The district has reserved a proportionate amount (\$2,000,000 for the repayment of the uncollectible delinquent property taxes).
3. Based on the State requirement starting from fiscal year 2004 the charter school revenues will only reflect the District's 3% administrative cost reimbursement.
4. Increase in benefits is attributed to:
 - a) Pension Plan contribution increase (mandated by the Office of Retirement Services) by 1.9%.
 - b) Increase in Health, Dental, Life and Vision plan contributions by 6.14%.
 - c) Anticipated increase in unemployment compensation due 2004 staff reductions.
5. Salary projections include step increments for all applicable staff. However, the projections do not include any annual salary increases.
6. Capital outlay projections include Durant settlement costs, copiers and capital leases.
7. The adopted budget projections reflected page for fund 11 does not include any expenditure reserves.



DESIGNATED SPECIAL PURPOSE GRANT (FUND 12)

The Designated Special Purpose Grant Fund is used to account for all grant funds received and expended and/or appropriated by the District.

PROPOSED BUDGET REVIEW — FY2005

DESIGNATED SPECIAL PURPOSE GRANT FUND (12) July 1, 2004

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actuals	FY2005 Proposed Projection
Revenue:					
Local sources – Other	\$ 3,250,544	\$ 4,628,297	\$ 7,935,981	\$ 759,738	\$ 759,738
State sources:	104,706,007	97,074,388	90,226,873	84,205,423	84,948,152
⁵ Federal sources: (1)	196,000,174	211,617,519	353,616,158	204,137,579	206,932,670
Transfers in	-	160,500	160,000	85,000	85,000
Total Revenue	<u>\$303,956,725</u>	<u>\$313,480,704</u>	<u>\$451,939,012</u>	<u>\$289,187,740</u>	<u>\$292,725,560</u>
Expenditures:					
Salaries	187,594,279	138,525,383	186,904,453	127,885,015	154,895,015
Benefits	64,424,844	49,654,793	67,380,725	47,646,769	57,636,769
Purchased Services	22,612,726	36,742,201	72,796,919	23,188,813	26,588,813
Textbooks				28,275,887	28,000,000
Supplies	15,861,304	41,365,194	69,885,751	8,448,043	9,422,810
Capital Outlay	5,053,018	3,853,490	11,214,280	6,182,153	6,182,153
Telecommunications				3,236	
Miscellaneous	5,045,889	36,392,015	26,191,686	9,537,147	10,000,000
Principal and Interest	-	176,000	-	-	
Expenditure Adjustments				38,000,000	
Transfers out	(4,638,011)	6,771,628	17,575,948	-	-
Total Expenditures	<u>\$295,954,049</u>	<u>\$313,480,705</u>	<u>\$451,949,762</u>	<u>\$289,167,063</u>	<u>\$292,725,560</u>

Note(s)

- Title I** is the largest federal aid program for elementary and secondary schools. Title I provides money to school districts around the country based on the number of low-income families in the district. Each school district uses Title I funds to ensure that children in high poverty schools receive supplemental academic services and have the same opportunities as other children to meet the State's rigorous academic standards.

Section 31A is allocated to local school districts with a current year combined state and local revenue per membership pupil of less than or equal to \$6,500, as adjusted by index and public school academies. Section 31A funds may be used for instructional programs and direct non-instructional services, such as medical or counseling services; before or after school, add extra days to school year, use tutorial method with paraprofessionals under supervision of a certified teacher.

Grants awarded FY05 include:

Name
 Title I
 31 A, At Risk
 Michigan Department of Education



ADULT EDUCATION (FUND 13)

The Adult Education Fund is used to account for funds received from the state and local sources to provide for Adult Education.

PROPOSED BUDGET REVIEW — FY2005

**ADULT EDUCATION FUND (13)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue:					
State Revenue (1)	\$ 17,894,886	\$ 7,244,853	\$ 4,330,645	\$ 4,330,645	\$ 4,030,835
Total Revenue and Amount Carried Forward	<u>\$ 17,894,886</u>	<u>\$ 13,544,853</u>	<u>\$11,986,693</u>	<u>\$11,986,693</u>	<u>\$12,790,195</u>
 Expenditures:					
Salaries	2,929,065	\$ 4,828,361	\$ 1,366,429	\$ 1,366,429	\$ 1,012,641
Benefits	900,844	1,724,404	486,073	486,073	347,289
Purchased Services	6,390,251	6,820,088	1,355,857	1,355,857	2,617,330
Supplies	14,757	18,500	13,023	13,023	16,575
Capital Outlay	1,427	5,000	2,258	2,258	5,000
Miscellaneous	2,494	142,000	3,694	3,694	32,000
Principal and interest	-	6,500	-	-	-
Total Expenditures	<u>\$ 10,238,838</u>	<u>\$ 13,544,853</u>	<u>\$3,227,333</u>	<u>\$3,227,333</u>	<u>\$4,030,835</u>

Note(s)

1. Decrease in State Aid Revenue



SPECIAL EDUCATION (FUND 22)

The Special Education Fund is used to account for, monitor, and maintain funds related to all special education programs and facilities. The main sources of revenue for this fund include Federal, State, County, Local agencies, and a subsidy from the General Fund.

In addition to the programs available at various schools, Detroit Public Schools currently has 11 schools in the District that are devoted solely to the needs of special education students.

There are many programs available to serve the needs of Special Ed. Students. These programs are budgeted consistent with all Federal, State and County Mandates.

PROPOSED BUDGET REVIEW — FY2005

**SPECIAL EDUCATION FUND (22)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue:					
Local sources – Special Education Millage	\$ 55,166,068	\$ 50,288,475	\$ 58,258,000	\$ 58,258,000	\$ 60,500,000
State sources:					-
State aid foundation	70,349,755	85,416,235	89,158,918	89,158,918	90,500,000
Other	-	-	-	-	-
Transfer from other Funds	53,353,731	78,583,765	41,617,210	41,617,210	72,700,000
Total Revenue	\$178,869,554	\$214,288,475	\$189,034,128	\$189,034,128	\$223,700,000
Expenditures:					
Salaries	127,458,537	153,059,217	133,337,224	133,337,224	149,947,933
Benefits	42,756,589	51,885,542	47,771,763	47,771,763	61,079,277
Purchased Services (consultants, etc)	2,861,101	5,479,250	4,814,569	4,814,569	7,249,303
Textbooks				2,271,704	1,685,341
Supplies	1,793,938	3,746,186	2,729,099	457,395	3,160,244
Capital Outlay	680,913	606,145	293,944	293,944	550,406
Miscellaneous	5,275,997	238,616	87,529	87,529	27,496
Principal and Interest	-	-	-	-	-
Total Expenditures	\$ 180,857,075	\$ 215,014,956	\$189,034,128	\$189,034,128	\$223,700,000



EMPLOYEE SELF INSURANCE (FUND 88)

The Employee Self-Insurance Fund is an internal service fund used to account for the administration and cost of employee health, life, dental and vision insurance.

PROPOSED BUDGET REVIEW — FY2005

**EMPLOYEE SELF-INSURANCE
INSURANCE RESERVE FUND (88)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue:					
Revenue from other Funds	\$140,000,000	\$146,800,000	\$150,000,000	\$150,000,000	\$165,000,000
Total Revenue	\$140,000,000	\$146,800,000	\$150,000,000	\$150,000,000	\$165,000,000
Expenditures:					
Salaries	-	-	-	-	-
Benefits	-	-	-	-	-
Purchased Services	138,967,500	145,763,900	139,500,000	139,500,000	163,902,244
Supplies	-	3,600	6,667	6,667	76,100
Capital Outlay	25,000	25,000	38,668	38,668	25,000
Other	1,000,000	1,000,000	-	-	-
Principal and interest	-	-	-	-	-
Total Expenditures	\$140,000,000	\$146,800,000	\$139,545,335	\$139,545,335	\$164,003,344



RISK RELATED ACTIVITIES (FUND 89)

The Risk Related Activities Fund is used to account for the payment of transactions for all claims, premiums, fees and administrative services, related to risk related activities.

The District's definition of such claims, premiums and fees include but are not limited to management services, cost for claims services, safety and loss control programs and initiatives, preventative and cost control activities, consultant services, and project specific research and development.

This Fund also pays for all other insurance or self-funded risk related exposures.

PROPOSED BUDGET REVIEW — FY2005

**RISK RELATED ACTIVITIES FUND (89)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue					
Transfer from General Fund	\$30,000,000	\$25,000,000	\$19,542,293	\$14,168,171	\$20,000,000
Total Revenue	\$30,000,000	\$25,000,000	\$19,542,293	\$14,168,171	\$20,000,000
Expenditures					
Salaries	\$ 2,305,553	\$ 2,410,990	\$ 1,591,377	\$ 1,591,377	\$ 1,503,607
Benefits	12,178,410	11,031,880	670,792	670,792	670,425
Purchased Services	14,237,714	10,275,005	17,157,103	11,782,981	17,748,194
Supplies	1,000	14,003	82,853	82,853	67,774
Capital Outlay	25,609	93,768	38,439	38,439	10,000
Other	1,136,731	1,146,400	1,729	1,729	-
Principal and interest	-	-	-	-	-
Total Expenditures	\$29,885,017	\$25,000,000	\$19,542,293	\$14,168,171	\$20,000,000



ATHLETICS (FUND 21)

The Athletics Fund accounts for the athletic operations of the District's middle and high schools. This Fund also supports its numerous athletic programs for boys and girls during the fall, winter and spring seasons on both the junior varsity and varsity levels. Allocations are distributed to the schools bi-annually to be used to support the schools with their purchases of equipment, uniforms and operating costs where the school incurs expenses for referees, officials and emergency services.

In addition, Fund 21 provides support for the entire District for:

- Salaries for all coaches
- Referees, officials
- Transportation to all sports events
- Reimbursement for student expenses
- Printing of athletic publications and tickets

Revenues collected from the games are deposited into the schools' various athletic accounts. The money is used to defray the costs to host the games at the various school sites.

PROPOSED BUDGET REVIEW — FY2005

**ATHLETICS FUND (21)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue					
Transfer from General Fund	\$1,716,264	\$2,608,200	\$2,608,200	\$ 2,608,200	\$ 1,608,000
Total Revenue	<u>\$1,716,264</u>	<u>\$2,608,200</u>	<u>\$2,608,200</u>	<u>\$2,608,200</u>	<u>\$1,608,000</u>
Expenditures					
Salaries	\$ 140,737	\$ 340,000	\$ 524,000	\$ 524,000	\$ 351,100
Benefits	16,408	175,000	181,959	181,959	175,913
Purchased Services	670,616	870,000	35,000	35,000	35,000
Supplies	888,503	870,000	740,019	740,019	740,019
Other (equipment)	-	765,000	1,127,222	1,127,222	305,968
Total Expenditures	<u>\$1,716,264</u>	<u>\$2,608,200</u>	<u>\$2,608,200</u>	<u>\$2,608,200</u>	<u>\$1,608,000</u>



SCHOOL ATHLETIC ACTIVITIES (FUND 26)

The School Athletic Activities Fund is a special revenue fund used to track all athletic transactions at the school level.

This Fund is being established for operational purposes to allow the tracking of expenses and revenue of athletic activities at the school level.

PRPOSED BUDGET REVIEW — FY2005

**SCHOOL ATHLETIC ACTIVITIES FUND (26)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Revenue					
Local sources – Other	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from General Fund	-	-	-	-	1,000,000
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$1,000,000
Expenditures					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits	-	-	-	-	-
Purchased Services	-	-	-	-	1,000,000
Supplies	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Other	-	-	-	-	-
Principal and interest	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$1,000,000



FOOD SERVICE (FUND 25)

The Food Service Fund is an enterprise fund (operated in a manner similar to private business) in which the costs of providing goods and services are to be recovered primarily through user charges. This fund is used to account for providing goods, services and food to students. The main purpose of this Fund is to keep apart, the appropriation, revenue, and expenditures related to food service. The Food Service Fund generates revenue from several sources. Although the primary source of revenue is a federal subsidy, revenue is also generated through ala carte sales and catering.

PROPOSED BUDGET REVIEW — FY2005

FOOD SERVICE FUND (25)					
July 1, 2004					
	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projections
Revenue:					
Local sources					
Sales to users	\$5,338,578	\$ 4,391,020	\$ 4,391,020	\$ 4,391,020	\$ 4,331,768
Other	2,416,749	2,327,193	2,327,193	2,327,193	2,567,704
State sources					
At-risk	1,096,890	2,752,005	2,752,005	985,620	1,087,480
Other	1,705,348	985,620	985,620	1,903,234	3,036,423
Federal sources					
National School Lunch	33,926,311	36,403,803	36,403,803	36,457,719	38,509,896
USDA entitlement	3,011,964	-	-	-	519,774
Total Revenue	<u>\$47,495,840</u>	<u>\$ 46,859,641</u>	<u>\$ 46,859,641</u>	<u>\$ 46,064,786</u>	<u>\$ 50,053,045</u>
Expenditures:					
Salaries	12,394,559	13,702,762	13,702,762	12,115,706	14,348,106
Benefits	5,091,739	6,169,814	6,169,811	4,812,886	5,542,930
Purchased Services	26,044,669	25,644,964	24,970,691	26,044,669	26,690,335
Supplies	3,029,440	-	78,605	78,605	78,605
Capital Outlay	220	100,000	100,000	220	100,000
Transfers and other Exp (1)	935,213	1,200,000	1,200,000	3,012,700	3,293,069
Total Expenditures	<u>\$47,495,840</u>	<u>\$ 46,859,641</u>	<u>\$ 46,859,641</u>	<u>\$ 46,064,786</u>	<u>\$ 50,053,045</u>

Note(s)

1. Revenue back to Detroit Public Schools



BOND REDEMPTION (FUND 31)

The Bond Redemption Fund is used to account for the interest and principal payments on bond issues approved by the public.

PROPOSED BUDGET REVIEW — FY2005

**BOND REDEMPTION FUND (31)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projections
Beginning Balance				\$ 27,841,697	\$ 43,750,473
Revenue:					
Local sources					
Property taxes	\$ 88,470,945	\$ 84,098,443	\$ 84,098,443	84,098,443	95,442,337
Earnings on investments	502,690	500,000	500,000	389,660	390,000
Proceeds from School Bond Loan Program	-	-	31,205,494	31,205,494	15,000,000
State sources – State aid Transfers in to close deficit funding bonds fund	-	24,377,587	15,846,634	15,846,634	-
Sale of bonds – face amount	16,060,000				
Total Revenue	<u>\$94,882,323</u>	<u>\$108,976,030</u>	<u>\$131,650,571</u>	<u>\$131,540,231</u>	<u>\$110,832,337</u>
Expenditures:					
Principal retirement	40,264,188	40,264,188	40,264,188	40,592,713	39,800,000
Payment of interest	68,711,842	68,711,842	68,711,842	81,694,167	76,500,000
Transfers to bond escrow agent	16,043,748				
Total Expenditures	<u>\$106,169,209</u>	<u>\$108,976,030</u>	<u>\$108,976,030</u>	<u>\$115,631,455</u>	<u>\$116,300,000</u>
Net Change in Balance	-	-	-	15,908,776	(5,467,663)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,750,473</u>	<u>\$ 38,282,810</u>



JUDGMENT LEVY (FUND 32)

The Judgment Levy Fund is used to account for taxes levied to pay for judgments entered against the District.

PROPOSED BUDGET REVIEW — FY2005

**JUDGMENT LEVY FUND (32)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Beginning Balance	\$ 69,530	\$ 702,801	\$ 702,811	\$ 702,811	\$ 702,811
Revenue:					
Local sources					
Property taxes	1,661,462	5,220,270	5,220,270	5,348,000	-
Total Revenue	<u>\$ 1,661,462</u>	<u>\$ 5,220,270</u>	<u>\$ 5,220,270</u>	<u>\$ 5,348,000</u>	<u>-</u>
Expenditures:					
Other	1,028,181	-	-	-	-
Principal and interest	-	5,220,270	5,220,270	5,348,000	-
Total Expenditures	<u>\$ 1,028,181</u>	<u>\$ 5,220,270</u>	<u>\$ 5,220,270</u>	<u>\$ 5,348,000</u>	<u>\$ -</u>
Net Change in Balance	<u>633,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance	<u>702,811</u>	<u>\$ 702,811</u>	<u>\$ 702,811</u>	<u>\$ 702,811</u>	<u>\$ 702,811</u>



BUILDING FUND-DURANT BOND (FUND 41)

The District issued bonds in the amount of \$59,304,433 in November, 1998 pursuant to the opinion of the Michigan Supreme Court case known as Durant V State of Michigan. Funds are spent in accordance to Section 1351a of the Revised School Code. Typical expenditures are: Roof and Boiler Replacements, Site Acquisitions, Site Lighting, Athletic Facilities, Security Infrastructure, School Buses, Educational Technology and Equipment, Remodeling and Hazardous Abatement.

PROPOSED BUDGET REVIEW — FY2005

**DURANT BONDS FUND (41)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projection
Beginning Balance	\$ 7,569,819	\$ 6,470,620	\$ 6,470,620	\$ 6,470,620	\$5,400,000
Revenue					
Local sources – Earnings investments	298,850	200,000	200,000	200,000	200,000
Total Revenue	\$ 298,850	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Expenditures					
Capital outlay	1,398,049	1,270,620	1,270,620	1,270,620	5,600,000
Total Expenditures	\$ 1,398,049	\$ 1,270,620	\$ 1,270,620	\$ 1,270,620	\$ 5,600,000
Net Change in Balance	1,099,199	(1,070,620)	(1,070,620)	(1,070,620)	(5,400,000)
Ending Balance	\$6,470,620	\$5,400,000	\$5,400,000	\$5,400,000	-



BUILDING FUND- 1994 BOND PROGRAM (FUND 44)

This Fund is used to account for the proceeds of the \$1.5 Billion Bond Program authorized by the voters in 1994.

PROPOSED BUDGET REVIEW — FY2005

**1994 AUTHORIZATION (44)
July 1, 2004**

	FY2003 Actual	FY2004 Adopted	FY2004 Revised	FY2004 Projected Actual	FY2005 Proposed Projections
Beginning Balance	\$266,087,588	\$677,687,178	\$677,687,178	\$677,687,178	\$498,571,663
Revenue:					
Earnings on Investment	6,892,059	6,500,000	6,500,000	6,600,000	4,500,000
Sale of Bonds	739,809,451				
Total Revenue	\$746,701,510	\$6,500,000	\$6,500,000	\$6,600,000	\$4,500,000
Expenditures:					
Salaries	133,614	412,559	\$ 412,559	\$ 346,967	\$ 400,000
Fringes	118,415	116,275	116,275	113,515	117,000
Capital Outlay	334,849,891	200,000,000	200,000,000	191,855,033	300,000,000
Total Expenditures	335,101,920	\$200,528,834	\$200,528,834	\$192,315,515	\$300,517,000
Net Change in Balance	411,599,590	(194,028,834)	(194,028,834)	(185,715,515)	296,017,000
Ending Balance	\$ 677,687,178	490,158,344	490,158,344	\$ 498,571,663	\$202,554,663



GLOSSARY 2005

PROPOSED BUDGET REVIEW — FY2005

Glossary

Accountability

The capability and the responsibility to account for the expenditure of money and the commitment of other resources in terms of the results achieved. This involves both the stewardship of money and other resources and the evaluation of achievement in relation to specified goals.

Accounts Payable

Liabilities on open accounts owing to persons, firms, or corporations for goods and services received by a governmental unit (but not including amounts due to other funds of the same governmental unit or to other governmental units).

Accrue

To record revenues when earned or when levies are made, and to record expenditures as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made. Sometimes the term is used in a restricted sense to denote the recording of revenues earned but not yet due, such as accrued interest on investments and the recording of expenditures which result in liabilities that are payable in another accounting period, such as accrued interest on bonds.

Appropriation

An authorization granted by a legislative body to incur obligations and to expend public funds for a stated purpose. The expenditure of an appropriation is usually limited in amount and time.

Appropriations Account

The account records authorization granted by the legislative body to make expenditures and to incur a balance sheet prepared during the fiscal period. At the end of the fiscal period, the *Appropriations* account is closed out and does not appear in the balance sheet prepared at the close of the fiscal period.

Assessed Valuation

A valuation set upon real estate or other property by a government as a basis for levying taxes.

Auditor's Opinion

A statement signed by an auditor in which he or she states that he or she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the constituent funds and balanced account groups of the government as appropriate.

Balanced Budget

A budget in which estimated revenues are equal to or greater than estimated expenditures.

Budget

A plan of financial operations embodying an estimate of proposed expenditures for a given period and purpose and the proposed means of financing that plan.

Building and Site Funds

Record transactions to account for receipt and disbursement of monies used for the acquisition of capital assets, including equipment. The principle sources of revenue are from the sale of bonds and earned interest.

Capital Outlay

Amounts paid for the acquisition of fixed assets or additions to fixed assets which are presumed to have benefits for more than one year. Amounts expended for land or existing buildings, improvements or grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial, additional, and replacement of equipment.

Compensation for Loss of Assets

Compensation or insurance recoveries for loss of school property. Gross expenditures from the proceeds should be charged to the proper expenditures account. Separate accounts may be maintained for buildings, contents, and other.

PROPOSED BUDGET REVIEW — FY2005

Glossary 2005

Current Expense

Federal definition: Any expenditure except for capital outlay, debt service, and transfers. If any accounts are kept on accrual basis, current expense includes total charges incurred, whether paid or unpaid. If accounts are kept on the cash basis, it includes only actual disbursement.

Debt Retirement Funds

The receipt of funds for the payment of interest and principle and other expenses associated with long term debt are recorded in the Debt Service Fund. The primary source of revenue are debt retirement tax levies and earned interest.

Deficit

An excess of expenditures over revenue.

Department ID

The group and type of educational activities for organizational purposes. A code identifying the units of which have discriminating characteristics, include individual schools, in most cases, and can be used to designate school cost centers. Budgets and expenditures may be made for each school or operational unit.

Discretionary

Funds appropriated and expended to run most schools or departments day to day activities. Common general descriptions for these expenditure areas are supplies, services, and equipment.

Within the General Fund these funds are under the direct control of the school or department. The school is responsible for ensuring that they never over expend their Discretionary Budgets.

District

Any public school district organized under the laws of Michigan, except a junior college district.

Expenditures

Decreases in net financial resources. Expenditures include current operating expenses which require the current or future

use of net current assets, debt service, and capital outlay.

Expenses

Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures.

Fiscal Year

July 1 through June 30 constitutes the mandatory fiscal year for public school districts.

Fixed Assets

Land, buildings, machinery, furniture, and other equipment which the school district intends to hold or continue in use over one year. "Fixed" denotes probability or intent to continue use or possession and does not indicate immobility of an asset.

Food Service Fund

A type of enterprise fund used to record financial transactions related to food service operations.

Fringe Benefits

Funds appropriated and expended to pay the cost of providing employee health, life, dental, and vision coverage, FICA and Medicare, and the employer portion of the Michigan Public School Employee Retirement System. Commonly referred to as employer paid benefits or fringe benefits.

Controlled and administered centrally.* Schools or departments are not responsible for over expenditures, nor are they allowed to utilize under expenditures in this category within the General Fund. Budgetary control is maintained by controlling the number of staffing units a school or department is authorized to have and then ensuring that they remain within authorization.

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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 charges therein, which are segregated for the purpose of carrying on specific duties.

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups in order to report on its financial position and results of its operations.

Fund Balance

The excess of the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves, and appropriations for the period.

GASB

The Government Accounting Standards Board was established as an arm to the Financial Accounting Foundation in April 1984 to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local government entities. The GASB is the successor organization to the National Council on Governmental Accounting (NCGA).

General Fund

The fund used to finance the ordinary operations of the local education agency. It is available for any legally authorized purpose and consists of all school money not specifically designated for some particular purpose.

Grants

Contributions or gifts of cash or other assets from another government to be used or expended for a special purpose, activity, or facility.

Non-Discretionary

Funds appropriated and expended to pay for utilities and/or utility type expenditures. Common descriptions associated with these types of expenditures are, heat, light, and electric. Other types of expenditures may be controlled at this level such as the fuel for the school buses.

Controlled and administered centrally.* Schools or departments are not responsible for over expenditures, nor are they allowed to utilize under expenditures in this category within the General Fund. Budgetary control is maintained by controlling the budget assigned to these areas and then monitoring expenditures at the District level.

Object

As used in expenditure classification, this term applies to the article purchased or the service obtained.

Operating Budget

The authorized revenues and expenditures for on-going District services and is the primary means by which the District is controlled.

Pension System

A retirement plan whereby persons leaving service in the educational system because of age, disability, or length of service receive payments. Payments may be made either in a lump sum or in the form of an annuity.

Pupil Enrollment

For any budget year, the number of pupils enrolled.

Pupil Funding

For a district for any budget year, pupil funding is derived by multiplying the pupil enrollment of the district for said budget year by the sum of three pupil funding components for the district setting category.

Purchased Services

Amount paid for services rendered by persons, organizations or other agencies for a service or product required to obtain the desired results. Examples are travel

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allowance, heating, lawn equipment repair, printing, equipment rental, etc.

Reserve

An account which records a portion of the fund balance which is designated for some future use and which is, therefore, not available for further appropriation or expenditure. A Reserve for Inventories equal in amount to the Inventory of Supplies on the balance sheet of a General Fund is an example of such a reserve.

Restricted

Funds appropriated to ensure strict compliance with governmental accounting requirements. Examples of such funds are inter fund transfer budgets and fund balance budgets.

Controlled and administered centrally.* Only the accounting department is allowed to conduct business against these accounts and funds. Charges against these funds are made in strict compliance with governmental accounting requirements...

Retirement Fund System

A plan whereby a fund of money, built up through contributions from participations and other sources, is used to make regular payments to those who retire from service in the educational system by reason of age, disability, or length of service.

Revenue

Increase in governmental fund type net current assets from other than expenditure refunds and fund balance transfers.

Salaries

Funds appropriated and expended to pay the actual salaries of employees charged to a specific school or department.

Controlled and administered centrally.* Schools or departments are not responsible for over expenditures, nor are they allowed to utilize under expenditures in this category within the General Fund. Budgetary control is maintained by controlling the number of

staffing units a school or department is authorized to have and then ensuring that they remain within authorization.

Special Revenue Funds

All transactions for those specific revenue sources requiring separate accounting due to legal and regulatory restrictions as administrative action. Included are programs for early childhood development, job training, gifted and talented children, free lunch and other programs.

State Board

State board means the State Board of Education.

Supplies

An expenditure object within an activity, which includes all supplies that have useful life of less than one year. Amounts paid for material items that are consumed for the operation of the District. Examples are general instruction, music, language development, textbooks, dictionaries, audiovisual, tools, etc.

Taxes

Compulsory charges levied by a government for financing services performed for the common benefit.

Transfer In-Out

A legally authorized funding transfer between funds in which one fund is responsible for the actual disbursement.

**Any account category identified as "Controlled and administered centrally" are not to be used as an expense account for day to day school activities.*

