



UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

TOPIC First and Final Reading of Policy CE (LOCAL) – Annual Operating

SUBMITTED BY: Laida Benavides, CPA **OF:** Division of Finance

APPROVED FOR TRANSMITTAL TO SCHOOL BOARD: _____

DATE ASSIGNED FOR BOARD CONSIDERATION: September 20, 2011

RECOMMENDATION:

It is recommended that the Board of Trustees approve First and Final Reading of Policy CE (LOCAL): Annual Operating Budget

RATIONALE:

BUDGETARY INFORMATION:

BOARD POLICY REFERENCE AND COMPLIANCE:

ANNUAL OPERATING BUDGET

CE
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<u>FISCAL YEAR</u>	<u>The District shall operate on a fiscal year beginning September 1 and ending August 31.</u>
<u>BUDGET PLANNING</u>	<u>Budget planning shall be an integral part of overall program planning so that the budget effectively reflects the District's programs and activities and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals shall be considered, as well as input from the District- and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and shall be a part of each month's activities.</u>
<u>BUDGET MEETING</u>	<u>The annual public meeting to discuss the proposed budget and tax rate shall be conducted as follows:</u> <u>1. The Board President shall request at the beginning of the meeting that all persons who desire to speak on the proposed budget and/or tax rate sign up on the sheet provided.</u> <u>2. Prior to the beginning of the meeting, the Board may establish time limits for speakers.</u> <u>3. Speakers shall confine their remarks to the appropriation of funds as contained in the proposed budget and/or the tax rate.</u> <u>4. No officer or employee of the District shall be required to respond to questions from speakers at the meeting.</u>
<u>AUTHORIZED EXPENDITURES</u>	<u>The adopted budget provides authority to expend funds for the purposes indicated and in accordance with state law, Board policy, and the District's approved purchasing procedures. The expenditure of funds shall be under the direction of the Superintendent or designee who shall ensure that funds are expended in accordance with the adopted budget.</u>
<u>BUDGET AMENDMENTS</u>	<u>The Board shall amend the budget when a change is made increasing any one of the functional spending categories or increasing revenue object accounts and other resources.</u>
FINANCIAL POLICY AND OBJECTIVES	<p>In order to meet its mission, the District depends on its property tax collections for the majority of its funding. Additionally, the District receives limited state aid and grant revenues. The District receives its revenues at various intervals during the year, and the majority of its revenue is received through tax collections in late January and February of each year.</p> <p>The District recognizes the importance of maintaining its financial integrity; therefore, it has developed this policy to support its mission and its goals and objectives.</p>

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FINANCIAL STABILITY In seeking to fulfill its mission, the District shall maintain a high level of financial stability and shall not compromise long-term financial integrity to achieve short-term benefits.

FUNDS FROM OPERATIONS The District's general fund shall provide adequate funding to support the following:

- 1 Cash flow needs;
- 2 Quality instructional programs;
- 3 Bond ratings;
- 4 Unfunded state-mandated costs;
- 5 Changes in state funding formulas that impact cash flow; and
- 6 Unanticipated extraordinary costs.

REVENUE The District's revenue levels shall be evaluated annually with the administration's recommendations giving consideration to the following:

1. Cash flow needs;
2. Bond ratings;
3. Operating requirements;
4. Current business conditions, including the local economy;
5. Economic projections, including property values, the state's economy, legislative issues, and the like;
6. Student growth assumptions; and
7. The projected level of expenditures.

GENERAL OPERATING FUND EXPENDITURES All expenditures from the general fund shall maintain the following priorities of obligation:

- Payments of all legal and reasonable expenditures relating to maintenance and operations of the District's general fund.
- Payments to special revenue funds that require a matching amount for federal or state grants, including the child nutrition fund and the construction fund.

MINIMUM AMOUNTS GENERAL FUND

The general fund shall maintain a balance of one month's projected expenditures.

DEBT SERVICE FUND The debt service fund shall maintain a minimum balance of at least ten percent of the District's annual bond payment requirement, net of any State assistance.

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REPORTING

District shall prepare financial operations reports in accordance with the following:

- Monthly financial reports shall be provided to the Board.
- An annual financial plan (budget) detailing revenues and expenditures shall be provided for the Board's approval prior to July 1 of each fiscal year.
- An annual audit shall be conducted by an external professional auditing firm that includes the necessary details to reconcile the District's financial operations for the year. The audit report shall be submitted for review and approval by the Board after the end of the fiscal year.

ORDER OF
EXPENDITURE

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

DEFINITIONS
FUND BALANCE

Fund balance shall mean the gross difference between governmental fund assets and liabilities reflected on the balance sheet.

FUND BALANCE
OF THE GENERAL
FUND

The fund balance of the general fund, one of the governmental fund types, is of primary significance because the general fund is the primary fund, which finances most functions in the District. The fund balance of the general fund shall mean the gross difference between general fund assets and liabilities reflected on the balance sheet.

The five classifications of fund balance of the governmental types are as follows:

NON-SPENDABLE
FUND BALANCE

1. Non-spendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use (such as the self-funded reserves program).

Examples of fund balance reserves for which fund balance shall not be available for financing general operating expenditures include:

- Inventories;
- Prepaid items;
- Deferred expenditures;
- Long-term receivables; and

RESTRICTED FUND
BALANCE

2. Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.

Examples include:

- Child nutrition programs;
- Technology programs;
- Construction programs; and
- Other granting agencies.

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COMMITTED FUND
BALANCE

3. Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the District does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.

Examples include:

- Construction and renovations;
- Land purchases;
- Potential litigation, claims, and judgments

ASSIGNED FUND
BALANCE

4. Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board, the Superintendent, or Superintendent's designee. The Board delegates by formal action in a scheduled meeting specific persons or groups to assign certain fund balances. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

In current practice, such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time.

Examples include:

- Insurance deductibles;
- Campus activity funds;
- Outstanding encumbrances;
- Program start-up costs; and
- Other legal uses.

UNASSIGNED FUND
BALANCE

5. Unassigned fund balance shall include amounts available for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

The unassigned fund balance shall be the difference between the total fund balance and the total of the non-spendable fund balance, restricted fund balance, committed fund balance, and assigned fund balance.