



# UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

**TOPIC:** First Reading of Policy CE (LOCAL)- Annual Operating Budget

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

**APPROVED FOR TRANSMITTAL TO SCHOOL BOARD:** \_\_\_\_\_

**DATE ASSIGNED FOR BOARD CONSIDERATION:** June 22, 2011

**RECOMMENDATION:**

It is recommended that the United ISD Board of Trustees approve the First Reading of Policy CE (LOCAL)-Annual Operating Budget and delete CA (LOCAL) Fiscal Management Goals and Objectives

**RATIONALE:**

Policy change is needed to comply with Governmental Accounting Standards Series Statement No. 54 issued by the Governmental Accounting Standards Board (GASB). Statement No.54 became effective for fiscal periods beginning after June 15, 2010.

**BUDGETARY INFORMATION:**

No budgetary impact.

**BOARD POLICY REFERENCE AND COMPLIANCE:**

In accordance with GASB Statement 54.

ANNUAL OPERATING BUDGET

CE  
LOCAL

FISCAL YEAR	<del>The District shall operate on a fiscal year beginning September 1 and ending August 31.</del>
BUDGET PLANNING	<del>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.</del>
BUDGET MEETING	<del>The annual public meeting to discuss the proposed budget and tax rate shall be conducted as follows:  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.  2. Prior to the beginning of the meeting, the Board may establish time limits for speakers.  3. Speakers shall confine their remarks to the appropriation of funds as contained in the proposed budget and/or the tax rate.  4. No officer or employee of the District shall be required to respond to questions from speakers at the meeting.</del>
AUTHORIZED EXPENDITURES	<del>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.</del>
BUDGET AMENDMENTS	<del>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.</del>
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>

ANNUAL OPERATING BUDGET

CE  
LOCAL

**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.

ANNUAL OPERATING BUDGET

CE  
LOCAL

REPORTING	District shall prepare financial operations reports in accordance with the following: <ul style="list-style-type: none"><li>• Monthly financial reports shall be provided to the Board.</li><li>• 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.</li><li>• 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.</li></ul>
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	<p>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.</p> <p>The five classifications of fund balance of the governmental types are as follows:</p>
NON-SPENDABLE FUND BALANCE	<p>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).</p> <p>Examples of fund balance reserves for which fund balance shall not be available for financing general operating expenditures include:</p> <ul style="list-style-type: none"><li>• Inventories;</li><li>• Prepaid items;</li><li>• Deferred expenditures;</li><li>• Long-term receivables; and</li></ul>
RESTRICTED FUND BALANCE	<p>2. Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.</p> <p>Examples include:</p> <ul style="list-style-type: none"><li>• Child nutrition programs;</li><li>• Technology programs;</li><li>• Construction programs; and</li><li>• Other granting agencies.</li></ul>

ANNUAL OPERATING BUDGET

CE  
LOCAL

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.

FISCAL MANAGEMENT GOALS AND OBJECTIVES

CA  
(LOCAL)

<b>FUND BALANCE PURPOSE</b>	<p>The purpose of a fund balance is to provide funds for expenditures not anticipated or included in a District's budget or to make up for revenues anticipated but not received.</p>
<b>DEFINITION OF FUND BALANCE</b>	<p>Simply stated, fund balance is defined by the following equation: Fund Balance = Assets - Liabilities. Fund balance represents the difference between the fund's total assets (cash, investments, inventories, etc.) and total liabilities (bills, etc.). Actual fund balances shall be measured as of the last day of a fiscal year (August 31) for previous audited years. Projected fund balances, included in the current fiscal year, shall be calculated by subtracting projected expenses from forecasted revenues and either adding (surplus) or subtracting (deficit) an amount to/from a previous fund balance.</p> <p>The Board recognizes the need for adequate fund balances and the role these balances play in managing the District's overall finances.</p>
<b>FUNDS COVERED</b>	<p>This policy covers the general and debt service funds.</p>
<b>MINIMUM AMOUNTS GENERAL FUND DEBT SERVICE FUND</b>	<p>The general fund shall maintain a balance of one month's projected expenditures.</p> <p>The debt service fund shall maintain a minimum balance of at least ten percent of the District's projected annual bond payment requirement, net of any state assistance.</p>
<b>MONITORING</b>	<p>The assistant superintendent for business and finance shall monitor current and projected fund balance levels. Should either current or projected fund balances fall below the minimum amounts required by this policy, the assistant superintendent for business and finance shall notify the Superintendent, who in turn shall notify the Board. The Board shall then make recommendations or direct the administrators to take prudent steps to raise the fund balance back to the required levels.</p>
<b>SPENDING FUND BALANCES</b>	<p>The Board shall approve all expenditures from fund balances. This shall normally be done in the form of adopting a budget at the beginning of the fiscal year or approving a budget amendment during the year. Fund balances shall not be spent on items of a recurring nature except for extreme emergencies, and then for a period not to exceed one year.</p>