

ANNUAL OPERATING BUDGET

CE
(LOCAL)

Fiscal Year	The District shall operate on a fiscal year beginning September 1 and ending August 31.
Budget Planning	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.
Budget Meeting	<p>The annual public meeting to discuss the proposed budget and tax rate shall be conducted as follows:</p> <ol style="list-style-type: none">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.
Authorized Expenditures	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.
Budget Amendments	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.
Fund Balance Purpose	In order to provide funds to meet its mission, the District relies on its property tax collections, state aid, federal grant revenues and other miscellaneous revenues. The District receives its revenues at various intervals throughout the year, with the majority of its tax collections occurring in December, January, and February of each year.

The purpose of this policy is to ensure that the District maintains a high level of financial stability and does not compromise long-term financial integrity to achieve short-term benefits.

Defined

Governmental Accounting Standards Board Statement (GASB) No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions (Issued 02109 and are effective for financial statements for periods beginning after June 15, 2010), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a district is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The five separate classifications of fund balance are as follows:

*Nonspendable
Fund Balance*

1. The nonspendable fund balance category shall include amounts that have already resulted in cash outflows or where cash receipt is likely at a date beyond the current budget cycle.

Examples not available for funding or financing general operating expenditures include:

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

*Restricted Fund
Balance*

2. The restricted fund balance category shall include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Examples of restricted fund balances include:

- Child nutrition programs;
- Technology programs;
- Construction programs; and
- Resources from other granting agencies.

*Committed Fund
Balance*

3. The committed fund balance classification shall include amounts that can be used only for the specific purposes determined by a formal action of the Board. Said action must occur prior to the end of each fiscal year, while the exact amount may be determined subsequently. Also the Board must formally "uncommit" amounts before they may be appropriated or otherwise reclassified.

Examples include:

- Potential litigation, claims, and judgments; and
- Campus activity funds, if for GASB 54 purposes, each campus activity fund balance is classified as a special revenue committed fund balance in CFD.

*Assigned Fund
Balance*

4. The assigned fund balance classification shall include amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are spendable or available for appropriation but have been tentatively earmarked for some specific purpose by the Board, the Superintendent, or the chief financial officer. Such plans or intent may change and never be budgeted or result in expenditures in future periods of time. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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;
- Program start-up costs; and
- Other legal uses.

*Unassigned Fund
Balance*

5. Unassigned fund balance is the residual classification for the District's general fund and shall include all spendable amounts not contained in the other classifications. These amounts are available to finance operating expenditures constrained only by the Board's intent to maintain a minimum level as stated in this policy.

Districts are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications in the notes to the financial statements. Districts also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent.

Order of Expenditure The order of spending, subject to availability and applicability, shall be to reduce funds from the fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

Negative amounts shall not be reported for restricted, committed, or assigned funds.

Adequacy of Fund
Balances

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

In establishing a policy governing the level of unassigned fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unassigned fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unassigned fund balance be maintained in the general fund, just as the availability of resources in other funds may reduce the amount of unassigned fund balance needed in the general fund);
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unassigned fund balance to compensate for any portion of unassigned fund balance already committed or assigned by the government for a specific purpose).

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

1. Cash flow needs;
2. Quality instructional programs;
3. Strong bond credit rating(s);
4. Unfunded state-mandated costs;

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5. Changes in state funding formulas that impact cash flow; and
6. Unanticipated extraordinary costs.

*Government
Finance Officers
Association
(GFOA)
Perspective*

GFOA recommends, at a minimum, that general purpose governments, regardless of size, maintain unassigned fund balance in the general fund of no less than two months (approximately 17 percent) of regular general fund operating revenues or regular general fund operating expenditures.

*Credit Rating
Agency
Perspective*

Credit rating agencies weigh levels of fund balance and unassigned fund balance in the general fund as one of several components in evaluating a District's creditworthiness. The three major credit rating agencies: Fitch, Moody's and Standard & Poor's each place their own importance on fund balance levels within each rating category. For example, all agree that a written fund balance policy is desired and they generally rate a fund balance of eight percent to 15 percent as acceptable to strong.

TEA Perspective

TEA generally recommends an unassigned fund balance that is about two months (approximately 17 percent) of average annual operating expenditures [see Financial Accountability System Resource Guide, Appendix 3 of the Financial Accounting and Reporting Module].

Appropriate Level of
Unassigned Fund
Balance

In an effort to provide adequate cash flow for its operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall strive to maintain in the general fund a minimum unassigned fund balance of at least two months (approximately 17 percent) of average annual operating expenditures.